

## PREFACE TO THE FIRST EDITION

The present book is the result of a long, personal process of intellectual development which began nearly twenty years ago, in the autumn of 1973, when, under the guidance of my father, Jesús Huerta Ballester, and through the good offices of José Ramón Canosa Penaba, I started to attend the weekly seminar on Austrian economics which was hosted in Madrid every Thursday evening by the brothers Joaquín and Luis Reig Albiol, at the home of the latter. The enthusiasm and inexhaustible support offered at all times by Luis Reig, along with the practice of preparing for, attending, and participating in the weekly sessions of this seminar throughout the 1970s, afforded me not only an extraordinary and invaluable intellectual experience during my formative stage as an economist, but also the conviction that the paradigm of the Austrian school alone offered an opportunity to answer the questions and remedy the weaknesses inherent in other, alternative paradigms, which, like Keynesian economics and the Chicago school, were deceptively attractive to me at first.

Later, in 1980, thanks to a recommendation from then Nobel Prize winner for economics, Friedrich A. Hayek, and to a scholarship from the Bank of Spain for the completion of advanced studies in economics at Stanford University, I was able to devote two full academic years to deepening my knowledge of the Austrian school, in general, and of the Austrian theory of capital and of market processes, in particular. I wish to acknowledge the generous help received during this period from Leonard Liggio and Walter Grinder, of the Institute for Humane Studies, then located in Menlo Park, adjacent to the university. Specifically, I am indebted to them for making possible what was for me a great intellectual experience: meeting Murray N. Rothbard, one of Ludwig von Mises's most brilliant students and an eminent member of today's Austrian school, and discussing with him some of the most controversial and intriguing topics in economic science.

Back in Spain, in 1983, after being honored with the King Juan Carlos International Award for Economics by His Majesty himself for my studies on private pension plans and the privatization of the Spanish social security system, Gustavo Villapalos Salas, the current rector of Madrid's Universidad Complutense, invited me to join the faculty of this university, where I now teach political economy classes as a permanent professor. I would like to sincerely thank my political economy students, both undergraduates and doctoral students, for the effort, enthusiasm, and dedication they have shown to learning about and studying in depth the essential principles of economics, in general, and of the Austrian school, in particular. There have been many students – at an average of 300 per year, between the bachelor's and doctoral programs, they have numbered over 2,000 in seven years – and thus, for obvious reasons of space, though not of merit, I am unable to expressly name all of the most brilliant ones. Nevertheless, for their academic ability, collaboration, and support, I must mention Esteban Gándara Trueba, Eugenio Illana Rodríguez, Miguel Ángel Ferrero Andrés, Sara González Pérez, and Carlos de Miguel.

Over the last few years of teaching, I have gradually become convinced of the necessity of formulating a theory of socialism which would be deeply rooted in the subjectivist methodology of the Austrian school and would rest on the theories of human action and entrepreneurship as developed first by Ludwig von Mises, and later by Israel M. Kirzner particularly. I have also come to the conclusion that it is necessary to adopt a new definition of socialism, a definition which is much more fruitful and useful in explaining real problems, allows us to give uniform treatment to the different types of socialism that exist or have existed in history, and furthermore, can encourage the future development of economic science, which, based on the proposed approach, I believe can and should be transformed into a comprehensive theory of the effects of institutional coercion.

I first had the opportunity to present my new conception of socialism for public discussion at the Liberty Fund colloquium which I organized on “Economic Calculation, Economic Planning, and Economic Liberty” and which took place at María Cristina Royal University College in San Lorenzo de El Escorial from October 30 to November 1, 1988.

Gerald P. O'Driscoll and Don A. Lavoie, among others,<sup>1</sup> made brilliant contributions to the colloquium. The latter, a leading expert on the debate about the impossibility of economic calculation under socialism, persuaded me that it was important to delve more deeply into the debate and fully examine and reevaluate it from the perspective of the new conception of socialism I was proposing.

This was the beginning of a manuscript which, under the general title of *Análisis Crítico del Socialismo: Teórico, Histórico, y Ético* [*Critical Analysis of Socialism: Theoretical, Historical, and Ethical*], is intended to be a comprehensive analysis of the most important aspects of the socialist phenomenon, a work of sufficient length and depth. By systematizing and building on the work other theorists have produced in the field, with this project I hope to facilitate some significant steps forward in the understanding, explanation, and prevention of socialism. To avoid an unnecessary delay in the publication of the individual parts, a delay which would be inevitable given the length of the program undertaken, and to fulfil the practical need of providing my pupils with new and more up-to-date study materials, I have found it advisable to publish at this time the first part of my project, which basically corresponds to the critical analysis of socialism from a *theoretical* standpoint and is entitled *Socialismo, Cálculo Económico, y Función Empresarial* [*Socialism, Economic Calculation, and Entrepreneurship*]. Hence, the application of the theoretical analysis proposed in the present book to the historical interpretation of real cases of socialism, as well as to the study of its ethical admissibility and to the development of a theory on its prevention and dismantling will be published at a later date.

The following professors have read the manuscript of the present book and have offered valuable critical comments and suggestions: Israel M. Kirzner, of New York University; Lucas Beltrán Flórez, José Luis Pérez de Ayala y López de Ayala, José T. Raga Gil, Francisco Cabrillo Rodríguez, y Carlos Rodríguez Braun, all of the Universidad Complutense in Madrid;

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<sup>1</sup> Apart from the professors named in the text, the following people participated in this Liberty Fund colloquium: Karl H. Paqué, of the Kiel Institute of Economics; Charles King, of the Liberty Fund; Norman P. Barry, of the University of Buckingham; Carlos Rodríguez Braun, José T. Raga Gil, Francisco Cabrillo Rodríguez, Santos Pastor Prieto, Lucas Beltrán Flórez, and Pedro Schwartz Girón, at

Pedro Schwartz Girón, of the Universidad Autónoma in Madrid; Santos Pastor Prieto, of the Universidad Carlos III in Madrid; Joaquín Trigo Portela, of the Universidad Central in Barcelona; and Javier Paredes Alonso, of the University of Alcalá de Henares. I deeply and sincerely thank them all, and naturally, I free them of all responsibility for the final content of the work. An English version of chapter 3 was outlined at the Mont Pèlerin Society Regional Meeting which took place in Prague at the beginning of November, 1991, and was later presented in much greater detail and discussed at the First European Conference on Austrian Economics, which was headed by Israel M. Kirzner and took place at the University of Maastricht from April 9 to 11, 1992.<sup>2</sup>

I must also acknowledge the efforts of my assistants, Carmen Galiana, Sandra Moyano, and Ann Lewis, who typed and corrected the different versions of the manuscript. I owe a special debt to my wife, assistant, and student, Sonsoles Huarte Giménez, for the dedication and patience with which she has endured the long hours I have devoted to study and work and which, under normal circumstances, I often should have spent with my family. To them all I extend my gratitude.

*Señorío de Sarría, July 7, 1992*  
J. H. S.

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that time, all of Madrid's Universidad Complutense; Antonio Argandoña, of Barcelona's Universidad Central; Henri Lépage, of the Institut de l'Entreprise in Paris; and Luis Reig Albiol of Madrid.

<sup>2</sup> Published as "The Economic Analysis of Socialism," chap. 14 in *New Perspectives on Austrian Economics*, ed. Gerrit Meijer (London and New York: Routledge, 1995).

## PREFACE TO THE SECOND EDITION

I am pleased to present the second edition of my book, *Socialismo, cálculo económico y función empresarial*, to Spanish-speaking readers. I consider it appropriate to make three observations at this time.

First, in this new edition, the contents, structure, and page numbering of the first edition have been maintained in their entirety to avoid confusion and to facilitate the work of the scholars and researchers who handle the already abundant references and quotations from the first edition which have appeared in the specialized literature. In any case, the new edition has been thoroughly examined, and all misprints and errors detected in the first have been corrected. Also, references to certain articles and book editions cited in the footnotes and bibliography have been brought up to date, and a few minor stylistic changes have been made. These slight modifications constitute the only changes.

Second, for the reasons indicated above, in this edition I have refrained from citing and commenting on the most significant books and papers published on socialism since the appearance of the first edition: there have not been very many; such writings have contributed little that is new to what has already been said; and a detailed discussion of them would have substantially altered the contents of this book, which I have preferred to leave unchanged.<sup>1</sup> Nevertheless, it is worth noting the milestone reached with the publication, for the first time in Spain, of all the articles Hayek contributed to the debate on socialist economic calculation. These articles have been included in vol. 10, *Socialismo y guerra*, of the Spanish edition I

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<sup>1</sup> David Ramsay Steele's book, *From Marx to Mises: Post-Capitalist Society and the Challenge of Economic Calculation* (La Salle, Illinois: Open Court Publishing, 1992), deserves mention, at least for the breadth of its approach. It may also be helpful to review the debate which Professors Joseph Salerno, Jörg Guido Hülsmann, Hans-Hermann Hoppe, and Leland Yeager engaged in between 1992 and 1995 in the *Review of Austrian Economics*. Their point of contention was the supposed differences in approach between Mises's and Hayek's criticisms of socialism, differences which, for reasons offered in footnotes 16 and 30 of chap. 4, I concur with Leland Yeager in viewing as more fictional than true.

supervise of F. A. Hayek's *Obras Completas*.<sup>2</sup> Due to its importance, this volume should be considered a necessary companion to the present book, a companion which was unavailable to Spanish-speaking readers when the first edition of the book appeared in 1992.

Third, it gives me great satisfaction to report that over the nine years which have passed since the first edition of this book was published, the traditional interpretation of the debate on the impossibility of socialist economic calculation has been gradually crumbling, and this change has paved the way for a new consensus among economists, the majority of whom now accept that the Austrian economists Mises and Hayek won the debate. Convincing evidence lies in the fact that Mark Blaug, one of the most distinguished scholars in the field of the history of economic thought, has written: “I have come slowly and extremely reluctantly to view that they [the Austrian school] are right and that we have all been wrong.” Blaug also regards the application of the neoclassical paradigm to justify the possibility of socialist economic calculation as something “so administratively naïve as to be positively laughable. Only those drunk on perfectly competitive static equilibrium theory could have swallowed such nonsense. I was one of those who swallowed it as a student in the 1950s and I can only marvel now at my own dim-wittedness.”<sup>3</sup> This acknowledgement is highly significant, because only when one embraces the dynamic, Austrian conception of the market and of the entrepreneurial process can one perceive the errors of socialism. Furthermore, a marked paradigm shift in the world of economics is involved, a transformation which, should it continue, will surely revolutionize the foundations of our science and make it much richer and much more fruitful and humanist over the course of the new century which has just begun.<sup>4</sup>

Formentor, August 28, 2001  
JESÚS HUERTA DE SOTO

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<sup>2</sup> F. A. Hayek, *Socialismo y guerra*, vol. 10 of the *Obras Completas de F. A. Hayek*, Spanish edition supervised by Jesús Huerta de Soto (Madrid: Unión Editorial, 1998).

<sup>3</sup> Mark Blaug and Neil de Marchi, eds., *Appraising Economic Theories* (London: Edward Elgar, 1991), 508 and *The Economic Journal* 103, no. 421 (November 1993): 1571.

<sup>4</sup> See Jesús Huerta de Soto, *La Escuela Austriaca: mercado y creatividad empresarial* (Madrid: Síntesis, 2000). The author welcomes any comments from readers on the second edition of his book. Please send comments to [huertadesoto@dimasoft.es](mailto:huertadesoto@dimasoft.es).

## PREFACE TO THE THIRD EDITION

It gives me great pleasure to present this third edition of my book, *Socialismo, cálculo económico y función empresarial*, to Spanish-speaking readers and students. Four years ago, I made three observations in the preface to the second edition, and today these continue to apply and thus should be taken into account.

Also, in the interim between editions, two important milestones have passed. First, the English version of the book, entitled *Socialism, Economic Calculation, and Entrepreneurship*, has been completed, and God willing, it will be published in England and the United States by a prestigious publishing house. Second, an ever-increasing number of researchers, students, and professors, in both Spain and the rest of the world, have begun to show an interest in delving into the dynamic conception of competition and market processes, and in applying it to the theory of the impossibility of socialism and economic interventionism. This growing interest has necessitated the establishment of a scientific journal which, under the title, *Market Processes: European Journal of Political Economy*,<sup>1</sup> draws together and provides a medium for the publication of research, especially that of the new generations of scholars who form part of what is today viewed on an international scale as the booming and highly productive Austrian school of economics. These scholars are developing a paradigm capable of replacing the one which has prevailed thus far, and which has already entered into a phase of severe crisis, decline, and disintegration.

Finally, I must acknowledge the great enthusiasm and university spirit shown, year after year, by the students who use this work as a textbook in my undergraduate classes. Together with my doctoral students and assistants as Chair of Political Economy, which I teach at the

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<sup>1</sup> [*Procesos de Mercado: Revista Europea de Economía Política*]. Interested readers can request the different published numbers of the journal by writing to [ommcamp@teleline.es](mailto:ommcamp@teleline.es), and can consult them at [www.jesushuertadesoto.com](http://www.jesushuertadesoto.com).

Universidad Rey Juan Carlos in Madrid, they provide the greatest incentive and support for me to continue advancing in Spain the noble research program of the Austrian school of economics.

*Formentor, August 22, 2005*  
JESÚS HUERTA DE SOTO