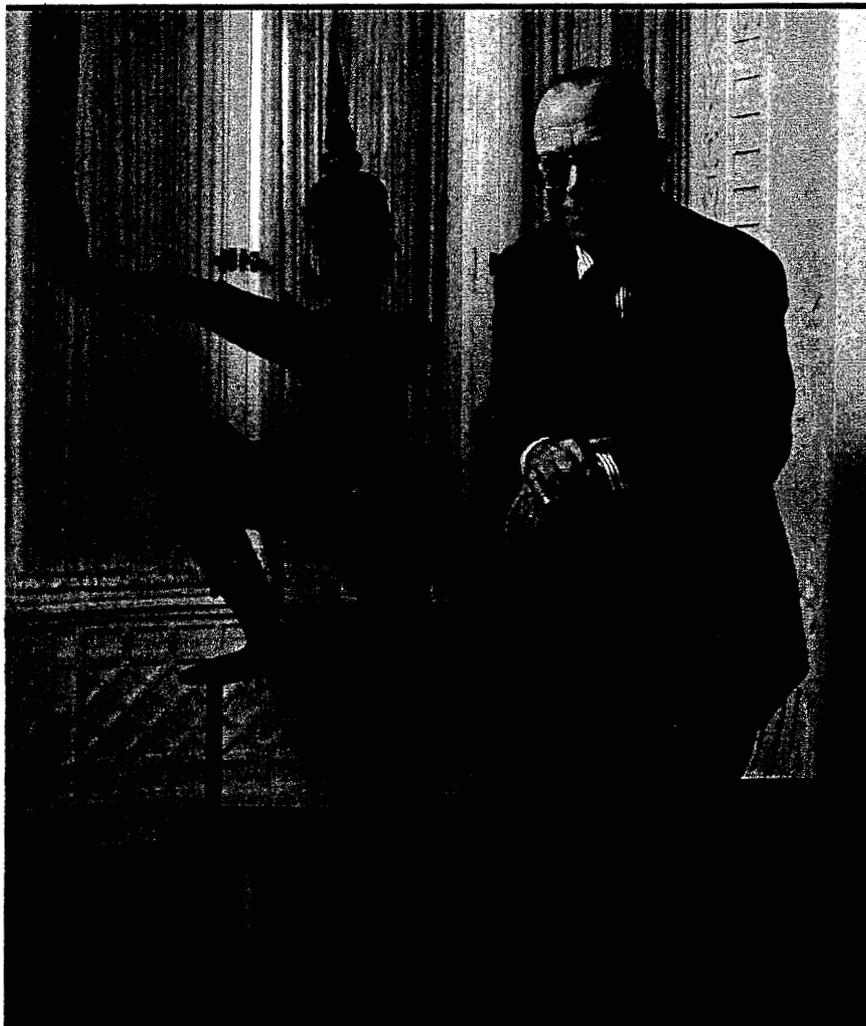


Capitalism has proved its superiority to socialism, concedes this former socialist and eminent historian of economic thought. But, as it turns out, his conversion is less than 100%.

“Just because socialism has lost does not mean that capitalism has won”

An interview with Robert L. Heilbroner by Mark Skousen



Economist Robert L. Heilbroner at home with Thai sculpture

“I don't think economic growth is the only criterion for success. Fairness and justice are essential, too.”

NO ONE THINKS or writes more lucidly about economic ideas than Robert L. Heilbroner. His book *The Worldly Philosophers* has sold over 2 million copies since 1953, making it one of the most popular books ever written on the history of economics. A professor emeritus with the graduate faculty at the New School for Social Research, Heilbroner was long an avowed democratic socialist. But he recently penned two articles in the *New Yorker* announcing he had given up on socialism. “Capitalism has won,” he declared. “Socialism has been a great tragedy of this century.”

But, as it turns out, Heilbroner's conversion is by no means complete. In a long interview in his Park Avenue duplex apartment, Heilbroner explained why he believes socialism remains very much alive:

You've made some startling statements recently about the collapse of socialism. Isn't this a dramatic reversal in your philosophy?

These are statements I wouldn't have written five years ago.

You didn't expect communism to collapse economically?

I never had any particularly high expectations for the Soviet Union. It seemed to be in a steady state—clinking along, producing small quantities of bad consumer goods and large quantities of quite good military goods. Everyone, including me, thought that would be the future. But no one expected a collapse.

You first wrote about socialism's demise and capitalism's triumph before the Berlin Wall came down. I think it was clear from 1988 that things were going poorly in the U.S.S.R. and the Eastern bloc. I remember having dinner with an old friend, and we were talking about what's going on with the Soviets. He said the system just doesn't work. And I said, that's right, that's right.

That's what really sparked my first [*New Yorker*] piece. We are witnessing an extraordinary example of a system breaking down. My article made a big splash. I knew I was going to risk being considered a turncoat. In Paul Samuelson's 1989 edition of his famous textbook, *Economics*, he wrote, "The Soviet economy is proof that, contrary to what many skeptics had earlier believed, a socialist command economy can function and even thrive." Kind of embarrassing to the economics profession, isn't it?

We felt, and I still do feel, that a command economy is like the military. The army is very good at moving mountains and doing what the Pharaohs did, building large-scale monu-

ments. They build miles of railroads and large dams. They brought about massive industrialization and mobilized the masses, and they did it very well and very rapidly, or else they never would have held off Hitler.

Socialism can do that. What socialism can't do is to produce the complex array of goods required once a society leaps from a peasant society to an early industrial society. It's very hard to run the damn thing with the absence of market signals.

In the 1930s the Keynesian revolution really caught on when several influential economists, such as Alvin Hansen at Harvard . . .

He was one of my professors when I was an undergraduate there.

. . . changed sides from being classical economists to being Keynesian economists. Do you see yourself in a similar role, except that you now see the advantages of capitalism over socialism?

That's a hard question. I'm certainly not as naive as I was. But I'm just as skeptical as I ever was about the difficulties of capitalism. I don't think economic growth is the only criterion for success. Fairness and justice are

essential, too. I think some of these modern-day welfare states can produce very remarkable results. Austria, for example, is very welfarish, very state managed, very conservative and very successful. But there isn't a socialist left in Austria. That's what I call successful capitalism. I'm a great believer in welfare capitalism.

I've made the point that just because socialism has lost does not mean that capitalism has won. We're not out of the woods yet.

The question is, what's left of socialism? We know it's not what was in the Soviet Union, not Hungary or Czechoslovakia. Maybe Sweden. That's closer to my idea of socialism. But there's really no answer now.

I'm not afraid of the word socialism. Socialism has always had very high moral objectives even though it has been besmirched by Soviet atrocities and belligerence. To me socialism as a democratic ideal has always stood for equality and justice.

In your latest edition of *The Worldly Philosophers*, you quote Joseph Schumpeter, one of your teachers at Harvard. He believed in capitalism but predicted that socialism

was the wave of the future. Obviously he was wrong.

Oh, yes, very wrong. Schumpeter was convinced that socialism was the wave of the future because corporate management would be afraid of taking market risks. The game wouldn't be worth the gamble. But Schumpeter really didn't care about the demise of capitalism. He considered himself a preferred member of the talented elite, who could make socialism run even better than capitalism. I now have an entire chapter devoted to Schumpeter and his contradictions. He's a wonderful man.

Your book has chapters on Marx, Keynes and Schumpeter, but you do not even mention Ludwig von Mises, and hardly quote Friedrich Hayek at all, yet these Austrian economists have proven so prescient. Don't they deserve greater exposure?

I spent the summer reading Hayek's *The Constitution of Liberty*. He has this remarkable picture of the market system generating information so people can do the things they need to do. He writes beautifully.

On the other hand, I find Mises

"[In 1988] things were going poorly in the U.S.S.R. I remember having dinner with an old friend, and we were talking about what's going on with the Soviets. He said the system just doesn't work. I said, that's right."

impossible. I just don't buy the practicality of his theory of praxeology. I can't take his book *Human Action* seriously. He said socialism is impossible, and he turned out to be right. But he was not terribly convincing to me.

He was so dogmatic.

How do you view the future of capitalism over the next 30 years?

Capitalism is, and always has been, in crisis. This is the great problem of our age. Capitalism will continue to produce dynamic results, both good and bad. If it works very badly, I don't know what to do next.

While you repudiate socialism, you have not embraced a laissez-faire, noninterventionist approach to

dealing with capitalist economies' fluctuations. Yet the record of government intervention is not exactly reassuring.

When government pushes button A, you don't always get result A. They push B, and get something else.

On the other hand, what Friedman, Hayek and Mises don't say, and what I do say, is that tremendous problems come out of the workings of the market. Problems from ecology to the banking crisis. To deal with these problems, you have one of two choices. You can do nothing and let the problems run their course, which may be very dangerous. Or you can do something. It's either laissez-faire, or intervention by the state.

We know that intervention never produces quite the results we expect. Take deregulation. It produces both good and bad results. We have the hub system in the airlines, which a lot of people don't like. We have deregulation of AT&T, which I hate.

I dimly foresaw an ecological crisis coming. Is the market going to take care of this by itself?

Peter Drucker thinks that wealth created by market capitalism en-

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Yes, he might be right.

Did Marxism die with socialism?

No, I don't think Marx is dead. The Soviet system is dead. There isn't really anything left to it. But of Marx's entire opus of writings, only 1% is about socialism. He was primarily interested in capitalism, and what he said about capitalism is, I think, profoundly important.

What I like about Marx is his view of philosophy and history. Marx stressed capitalism's internal dynamics, the essence of capitalism. But what I'm against is the Marxisms, the connection with socialism. The revolution toward socialism, I've never bought that. What comes out of this process, as Marx describes it, could be very ugly.

But Marx has a lot to say about the capitalist system. There is a tremendous tendency today by conventional economists to see most problems descending out of the blue. On the conservative side, they descend from the government. On the liberal side, they descend from an oil shock or something outside the system. But it's really all the workings of the system, the technology of the market, the striving, pushing, shoving.

Speaking of pushing and shoving, there's the recent book you wrote with Peter Bernstein, *The Debt and the Deficit* (W.W. Norton & Co., \$12.95), in which you tell people not to worry about the federal deficit. But with the federal deficit approaching \$500 billion, if you include off-budget items, haven't we reached a crisis stage?

Not quite. "Deficit" is a very scary word. But I've always felt that you have to look at it from the perspective of how big it is compared with national wealth. And, you know, we're right in the middle of the range so far as the ratio of debt to wealth goes, same as Canada and Japan.

But it's moving up as a percentage of national wealth.

All capitalist governments borrow money. The real question is, what for? If you could show that we borrow money for good things, such as rebuilding cities, who'd complain? Then you wouldn't have this silly business about crowding out. Instead

of building a private plant you build a public bridge or school.

It isn't that I pooh-pooh the deficit. I pooh-pooh the alarmists, people wringing their hands about the deficit. What I really call for is an examination of what the deficit is spent on. Herbert Stein is a conservative economist who thinks you should count military assets like tanks as a part of capital public wealth. I don't think so.

Is Keynesianism dead?

Oh, I don't think so. Keynes is a major figure. He changed the vocabulary of economics. He made two significant contributions: First, that the national economy could be open to manipulation. Second, Keynes' rather benign view of capitalism's future, you know, interest rates will go down, more goods will be produced, etc. I think it's a little shallow, but I like it.


Says Heilbroner: The people on the left . . . have absolutely no vision beyond the present scene.

Schumpeter is more interesting and more imaginative, but he never had the policy impact Keynes has. And now, in this modern era, there is no successor to Schumpeter. Not even the people on the left have any scenario. They have scenarios of capitalist breakdown. They have scenarios of mounting tensions in the world. But they have absolutely no vision beyond the present scene.

What's your vision of the world in the beginning of the 21st century? Who the hell knows? I do take ecology very seriously.

 Mark Skousen is adjunct professor of economics and finance at Rollins College, Winter Park, Fla. His most recently published book is *Economics on Trial* (Dow Jones Irwin, 1991).