
What Is “Actually Existing Socialism”?

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MICHAEL C. MUNGER

When I ask students to define “democracy,” they usually just say it’s “good government” or list governments they like. When I ask conservatives to define “socialism,” they often say it’s just bad government or list governments they dislike. I was worried that the paper “Best Cases of ‘Actually Existing Socialism’” in this issue might be perceived as falling into the latter category, meaning skeptical readers could dismiss Ryan H. Murphy’s very useful piece with semantic judo.

The reason I was worried is that the definitions Murphy gives of the term *socialism* are manifold and confusing. It could describe countries where ownership of the means of production is collective or where management of the economy, including setting of prices and directing of investment, is institutionally democratic. But he rightly claims that nations require considerable state “capacity,” or actual ability to direct resource use, to qualify as “socialist” in any realistic sense.

Murphy then chooses a sample, or rather three cases, of a hybrid category of his own devising: states that exhibit high “economic modernity” combined with low economic freedom. As he puts it,

Which countries have historically had low economic freedom while also being governed by states with high state economic modernity? Although this question is not precisely the one posed by modern advocates of socialism, it

Michael C. Munger is director of the Philosophy, Politics, and Economics Program and professor in the Departments of Political Science and Economics at Duke University.

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does ultimately split the difference between the modern, high-quality social democratic states (e.g., Denmark) and “actually existing socialism” in practice, without invoking *the need for the presence of empirically nonexistent political institutions* for a country to count as socialist.

When this exercise is performed and applied to the year 1985, three countries can be identified as simultaneously embodying strong, effective modern states and socialist economic institutions: China, Hungary, and Israel. (emphasis added)

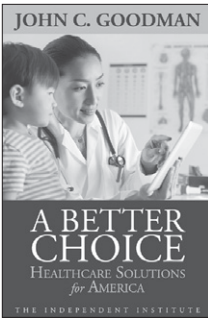
The problem is that it is precisely the absence of the “empirically nonexistent political institutions” that *disqualify* these nations as *socialist*, as that term is used by advocates. Murphy’s proposed test of what happens to “actually existing socialist” nations would be rejected by any actually existing socialist because his examples all suffered bourgeois counterrevolutions in which power was substantially, though not always completely, restored to the hands of private capital owners.

One might, depending on which side one is on, celebrate or lament this transition. But the fact of reversion to capitalism is what Murphy finds. The “empirically nonexistent political institutions” were precisely the parties of labor and the means of democratic mass mobilization that might have prevented these bourgeois retrenchments.

Much of Murphy’s analysis, in terms of both the selection of cases and the conclusions, rests on the rather mysterious State Economic Modernity (SEM) Index. We are told: “The SEM Index is constructed by taking the legal-system and property-rights ratings in the EFW [Economic Freedom of the World] Index and *subtracting* the (limited) size-of-government variable. Though counterintuitive, this approach means in practice that countries with large states and effective provision of law receive high scores, whereas countries with neither receive low scores” (emphasis in the original). Well. A proxy for state capacity that *subtracts* the size of the state? “Counterintuitive” understates the degree of legerdemain at work here, I would think. As a committed Northian myself, I would defend the value of the SEM Index and commend Murphy’s creation of it. It cleverly and concisely captures something like “social capacity,” or a society’s ability to be guided by rules without direct coercive force. But I am not sure that it is suitable for the purpose used here, which, after all, is the identification of the actually existing socialist nations.

Further, including China along with Israel and Hungary in the set of “best cases” of “actually existing socialism” seems odd. Following the Great Proletarian Cultural Revolution (1966–76), China intentionally destroyed much of its state capacity and rule of law. It is easy to overestimate China’s economic success in the decades that followed because the small denominator of gross domestic product per capita growth rates leaves so much upside. One might object that the small size of Chinese “economic modernity” is likewise masked by the fact that the state was also cut back so dramatically by Mao’s personal politically motivated purges.

Speaking for the editors of *The Independent Review*, then, I should explain that the reason why we published Murphy’s paper is that we think he has captured something interesting and, frankly, important about the path of three nations: China, Hungary, and Israel. Those cases were not randomly selected by Murphy but are in fact the nations that have had low economic freedom and (by his measure) relatively high “state economic modernity.” Economic modernity, though a deceptively simple measure, may contain deep insights into the potential for a nation to take a market-oriented turn in its development path. But we are not so sure that Murphy’s decision to call such nations cases of “actually existing socialism” in action is defensible. Having raised the question, and invited Murphy’s reply, we leave it to our readers to decide.



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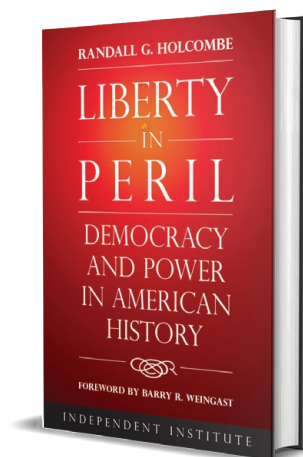
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