Otto Neurath was one of the most active participants in the debate about socialization that developed after the First World War. As far as this part of Neurath’s work is concerned, his name is mentioned most prominently in the context of two issues: “total socialization”/“Vollsozialisierung” (as opposed to partial socialization), and “in kind accounting”/“Naturrechnung”. In both respects he is mostly seen as an advocate of strategies and concepts which aimed at changes in the economic system of a much more radical sort than those proposed by the main-stream social-democratic parties in Germany and Austria. Neurath maintained this position despite the early failure of “revolutionary” political experiments in Bavaria and Saxony in his contributions to the socialization debate which he continued to publish until 1925. In the later 1920s, when chances for realization of socialization more or less disappeared, socialization also vanished as a theoretical issue.

This contribution is confined to the debate between Neurath and his critics from the Social Democratic parties of Germany and Austria – to the part of the debate that took place “inside” the socialist movement. It makes only occasional references to contributions from “outside”, which are of course much better known nowadays due to the prominence which the interventions of Mises and Schumpeter came to acquire later.¹

In the following two sections I will not try to summarize Neurath’s positions in general, because this would only duplicate a task that has been very aptly done by Thomas Uebel in his introduction to Neurath’s newly published “Economic Writings” (2004, 39 ff). I will only restate some of the distinctive arguments on which Neurath based his controversial positions, and otherwise refer to details of the debate in the context of the controversies with his critics. Sections 3–5 and 7 deal with the critique of Neurath’s proposals for central planning, in-kind accounting, the role of money as well as the problems of incentives and of conflicts of interest. On these issues the main interventions came from Karl Kautsky at that time still the leading theoretician of Social Democracy in Europe; from Helene Bauer, Otto Bauer’s wife, who was a frequent contributor to the theoretical periodical of the

¹For a survey of the Austrian debate on economic calculation in a socialist economy see Chaloupek (1990).
Austrian Social Democrats “Der Kampf” on economic issues; Otto Leichter, economist with a practical experience as manager in socialized enterprises formed out of former war-time production plants. Section 6 discusses Neurath’s treatment of accounting problems in the light of modern accounting concepts that were emerging during the interwar years.

1 Socialization: Total or Partial?

Weissel (1976, p. 202) makes the observation that inexact or deceptive use of the terms “Vollsozialisierung” and “Teilsozialisierung” was the cause of much confusion which – also in other respects – characterizes the socialization debate. To make a proposal appear more radical, it was not uncommon to speak about “total” socialization of a branch or even of a company. Neurath’s contributions are not free from such ambiguity. “Total” socialization for Neurath does not necessarily mean expropriation and nationalization of all the means of production. For him, nationalization as such does not mean socialization, because “socialization is concerned with the whole, it is always total socialization, however shallow or deep the impact of the overall measures is”(1920/2004, p. 377). To “produce and distribute the final product socialistically” (ibid.), to ensure the full use of productive resources, to eliminate the “waste” of the capitalistic mode of production, etc., “socialism tries to replace the planlessness which springs from the disconnected activities of individual entrepreneurs by an administrative economy according to a plan, by an economic order in which central institutions survey the entire economy in order to participate in decisions on work, production and consumption”(ibid., p. 381).

2 In this administrative economy “the decisions about production, distribution, wages and prices … are to be taken by the whole” (p. 382). Whereas Neurath strictly opposes any kind of market socialism, he appears to be willing to allow some degree of independence of small producers in the crafts and in agriculture. “The doctrine that there is a trend towards ever more comprehensive organisations has been confirmed fully, less so the doctrine that small businesses will be replaced by large-scale concerns”(387 f). The essential thing is that small producers of various sorts are organized in a multitude of regional and branch organization to ensure that goods and services are produced according to the central plan (ibid.). In addition, “total” socialization requires a comprehensive statistical apparatus on which the plan must be based. “Even before they begin their work all bodies … should be required to report to the Central Economic Administration which, in collaboration with the Centre for Statistics … will fit the individual results into the universal statistics” (p. 389).

2 Notice that Neurath uses “soft” formulations (survey, participate), thereby avoiding the impression that it might be necessary to establish central control over production and consumption by command backed by force.