

Chapter 4

Mongolia's Post-Socialist Transition: A Great Neoliberal Transformation

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Editor's introduction: A leading published Mongolian intellectual who was a post-doctoral fellow in Anthropology at Stanford University, Dr. Munkh-Erdene here takes a strongly critical view of recent Mongolian sociopolitical and economic development. Drawing on social and critical theories of capitalism and neoliberalism, he suggests that Mongolia has, in effect, replaced its former dependency on external Soviet Communism with a current dependency on Western free market neoliberalism. Amid the celebratory Western praise of Mongolia's open markets, economic growth, and democratic politics, Dr. Munkh-Erdene sounds a cautionary note, reminding us that in the process the preceding socialist economic support system for the Mongolian populace, along with its significant development of heavy industry, has been eviscerated if not demolished. So, too, he questions the asserted independence and autonomy of the Mongolian nation, now enmeshed as it is with foreign capital and market forces and institutions to which it is beholden and from which it is at pains to extract itself. At the conference itself, it is notable that Dr. Munkh-Erdene's views were actively considered and substantively and sometime appreciatively engaged, including by government officials and civic leaders.

Karl Polanyi, who believed that “the economy is not autonomous, as it must be in economic theory, but subordinated to politics, religion, and social relations” argued that “the control of the economic system by the market is of overwhelming consequence to the whole organization of society: it means no less than the running of society as an

adjunct to the market” (2001: 60). Furthermore, Polanyi maintained that “fully self-regulating market economy is a utopian project; it is something that cannot exist” (Block 2001: xxv).

During the 1980s, and particularly with the end of the Cold War in the early 1990s, however, a doctrine of market liberalism variously known as Thatcherism, Reaganism, neoliberalism, and “the Washington Consensus” came to dominate global politics. This doctrine not only forcefully advocated “that both national societies and the global economy can and should be organized through self-regulating markets” but also produced policy prescriptions known as structural adjustment (Block 2001: xviii). Institutions of global governance such as International Monetary Fund, and the World Bank implemented the structural adjustment program in many developing countries.

The Washington Consensus emerged as a reaction to post-Great Depression economic doctrine that maintained, “the only way ahead was to construct the right blend of state, market, and democratic institutions to guarantee peace, inclusion, well-being, and stability” and upheld that “the state should focus on full employment, economic growth, and the welfare of its citizens and that state power should be freely deployed, alongside of or, if necessary, intervening in or even substituting for market processes to achieve these ends” (Harvey 2005: 10). This system came to be referred to as “embedded liberalism” in order to “signal how market processes and entrepreneurial and corporate activities were surrounded by a web of social and political constraints and a regulatory environment that sometimes restrained but in other instances led the way in economic and industrial strategy” (Harvey 2005: 11).

The Washington Consensus in particular and the neoliberal agenda in general sought to dismantle this system

and liberate capital, and its entrepreneurial or corporate activities, from this “web of social and political constraints and a regulatory environment” which embedded the economy within the society. Thus, the Washington Consensus was to take economy out of the realm of the political, and, by implication, the realm of the social, and transfer it to the realm of the market, that is, to the realm of capital and, by implication, to capitalists.

The People's Republic of Mongolia was a Communist country. As such, it was on the extreme left of the socio-economic spectrum while free market capitalism would be placed on the opposite extreme and “embedded liberalism” was somewhere in the middle (see Harvey 2005 concerning embedded liberalism). As the Soviet system crumbled, Mongolia, following her Eastern European cousins, not only embraced Western liberal democracy but also embarked on building a free market economy. Thus, Mongolia's transition was a shift from the extreme left of this politicoeconomic continuum to the extreme right.

Though the Mongolian President optimistically vowed to make the country one of the Asian Tigers in a short period, Mongolia did not follow the developmental path and model of the Asian Tigers (Wade 1990). Instead, under the supervision of the International Monetary Fund, the World Bank and the Asian Development Bank, Mongolia's neophyte free marketers zealously launched a shock therapy (or structural adjustment) program in 1991 to establish a free market economy. The succeeding MPRP government, which came to power in 1992, somewhat slowed the pace of shock therapy. Yet, the free marketers, who returned to power in 1996, accelerated structural adjustment and launched a new privatization program (see Rossabi 2005). By this time, privatization had acquired its own internal “political dynamics” as the political parties each raced to build secure economic bases. Thus, the

succeeding MPRP government swiftly pushed privatization further to introduce private ownership of land. By 2004, with the market system's domination of the economy and the almost complete privatization of Mongolia's most valued companies, Mongolia had become, in less than two decades, a country that ran society as an adjunct to the market.

Control of the greater part of the Mongolian economy has been transferred from the realm of public/political to the realm of the private/market. Furthermore, privatization and deregulation together with corruption and mismanagement have amassed national wealth in the hands of a tiny minority, entailing dispossession, dislocation and displacement of the vast portion of the population. In addition, the virtual demolition of the socialist welfare state led to large-scale disentanglement. Structural adjustment thus not only created a market-dominated economy but also entailed a massive impoverishment of the population and the polarization of the society (see Rossabi 2005).

Moreover, shock therapy had a "Morgenthau Plan" effect on Mongolia's industry. As one observer noted, "the de-facto Morgenthau Plan proved exceedingly successful in de-industrialising Mongolia," just as had been the plan's intention in Germany (Reinert 2004: 158). "In Mongolia, fifty years of building industry was virtually annihilated over a period of just four years, from 1991 to 1995, not to recover again" (Reinert 2004: 158, see also Rossabi 2005). Yet, the structural adjustment program has been remarkably successful in making Mongolia a field for natural resource extraction.

Furthermore, while the policies and recommendations of the institutions of global governance such as the IMF have left the government little or no policy options, the extensive retreat of the state and the establishment of non-state institutions such as non-governmental organizations and international developmental agencies not only further depleted the state's

capacity but also entailed a substantial transfer of governmental purview to these institutions (see Rossabi 2005). Consequently, not only has a portion of the government's purview been transferred to non-elective, supposedly grassroots, yet often transnational institutions but state sovereignty seems to have been seriously challenged. The state seems to have become just one, yet the only elected, institution of governance. As a result, a regime of "transnational governmentality" appears to have been effectively established in Mongolia (see Ferguson and Gupta 2002 concerning transnational governmentality). In addition, the rolling back of the state changed the scope and nature of the Mongolian state. The Mongolian state really did retreat as a welfare state, yet at the same time it advanced as a "night watchman" state (Nozick 1999).

Mongolia's shock therapy not only transformed the society into "an adjunct to the market" but also boosted the country as a resource adjunct to the global market. Meanwhile, as the Communist regime reincarnated as a neoliberal night watchman state, Communist *nomenklatura* (key administrators) have successfully reinvented themselves as an oligarchic plutocracy. Yet, Mongolia's socialist industrialization had to be abandoned as well as Mongolia's socialist welfare system. At the same time, as the nation's independence and freedom have become mired in the global regime of transnational neoliberal governmentality. Mongolia, in effect, has replaced one form of dependency – Communist -- with another -- Capitalist.

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