JOHANNA BOCKMAN, *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism*, Stanford: Stanford University Press 2011, 352 s.

Research about "neoliberalism" – a term that is as commonplace as it is ill-defined – has expanded in recent years, not least because of the apparent pressure on this free-market ideology in the wake of the 2008 financial crisis.[1] This included scholarly investigations into as well as openly partisan accounts of the historical origins, development and diffusion of neoliberal ideology and politics.[2] Post-socialist Central and Eastern Europe has been of particular interest in this context, as it is perceived as one of the regions where neoliberal ideology celebrated one of its most important triumphs, following the collapse of communist regimes in 1989.[3]

Johanna Bockman's 2011 monograph on the "left-wing origins of neo-liberalism" is no doubt one of the most interesting recent contributions to this growing field.[4] In a dense narrative of 221 pages she develops her innovative argument that "neoliberal capitalism was a parasitic growth on the very socialist alternatives it attacked" (p. 1). According to Bockman, neoliberalism can be said to have socialist origins for three reasons: first, the use of socialist models by neoclassical economists to create knowledge, a "methodological centrality" that informed neoliberalism (p. 8); second, the professional dialogue among neoclassical economists in the socialist East and capitalist West about models of decentralized socialism in Hungary and Yugoslavia taking place in "liminal spaces" during the Cold War, which created "new

1 GERARD DUMENIL, DOMINIQUE LEVY, *The Crisis of Neoliberalism*, Cambridge 2011.

2 DANIEL STEDMAN JONES, *Masters of the Universe: Hayek, Friedman, and the Birth of Neoliberal Politics*, Princeton 2012; PHILIP MIROWSKI, DIETER PLEHWE (edd.), *The Road from Mont Pèlerin: the Making of the Neoliberal Thought Collective*, Cambridge, MA 2009; DAVID HARVEY, *A Brief History of Neoliberalism*, New York 2005; NAOMI KLEIN, *The Shock Doctrine: The Rise of Disaster Capitalism*, New York 2007.

3 PAUL DRAGOS ALIGICA, ANTHONY JOHN EVANS, *The Neoliberal Revolution in Eastern Europe: Economic Ideas in the Transition from Communism*, Cheltenham 2009; JANE HARDY, *Poland's New Capitalism*, London 2008; ELIZABETH DUNN, *Privatizing Poland: Baby Food, Big Business, and the Remaking of Labor*, Ithaca 2004.

4 JOHANNA BOCKMAN, *Markets in the Name of Socialism: The Left-Wing Origins of Neoliberalism*, Stanford 2011.

neoclassical knowledge and new knowledge about socialism that did not and could not exist before" (p. 10); and, finally, the incorporation of this knowledge by neoliberals: "Neoliberalism incorporated the transnational discussion about socialism in support of competitive markets but replaced the socialist calls for political and economic democracy with capitalist demands for hierarchical institutions" (p. 10).

Two of Bockman's key assumptions that inform her analysis become apparent here: first, as she repeatedly points out in the course of the book, neoliberalism is not to be conflated with neoclassical economics, as often happens in the literature on the subject. Neoclassical economics is not a "capitalist science," but simply a heavily mathematics-based approach to economics developed in the late nineteenth century that departed from classical economics by focusing on "the study of individual agents, subjective values and prices, marginal calculation, collective action through markets, and market equilibrium" (p. 7). According to neoclassical models, the perfectly competitive market on the one hand and a hypothetical "social planner" on the other hand were mathematically identical – the same equations that described the optimal functioning of the competitive market could be used by the social planner "to plan the economy and obtain the same optimal results" (p. 215). This explains the "methodological centrality" of socialism for neoliberalism that Bockman postulates.

Her second assumption pertains to the institutional structure of economic systems. Bockman contends that, contrary to widespread belief, the relevant opposition within the field of neoclassical economics is not between state planning on the one hand and free markets on the other hand (what she calls the "state-market axis"), but between "hierarchy" and "democracy" (p. 5). Neoliberals are to be found on the hierarchical side of the spectrum. According to Bockman, they support all of the following: "1. competitive markets; 2. smaller, authoritarian states; 3. hierarchical firms, management, and owners; 4. capitalism" (p. 4). Other neoclassical economists, by contrast, were in favor of markets, but criticized state socialism *and* state capitalism while advocating markets "in the name of economic democracy and communism" (p. 5). Crucially, then, markets are not an exclusively capitalist institution, but could function equally well or even better under conditions of social ownership of the means of production.

Bockman develops her argument in seven chapters. In the first two, she reconstructs the emergence of neoclassical economics starting from the 1870s until the 1950s (chapter 1), and the East-West economist dialogue based on neoclassical economics that developed after Stalin's death and the end of McCarthyism (chapter 2). In her account of the early development of neoclassical economics, she stresses the importance that the modeling of socialism had for the development of the discipline. Bockman consciously downplays the importance of the "socialist calculation debate" in which Ludwig von Mises claimed that socialism was mathematically impossible (or, in Friedrich von Hayek's modified argument, inefficient), as it "blinds most scholars to the fundamental importance of socialism to neoclassical economics" (p. 18). Economists in East and West independently thought about both competitive markets and central planning and developed relevant neoclassical models. But it was only with the facilitation of cross-bloc communication in the 1950s that a "transnational sphere of dialogue" was created and economists from both sides came into contact (pp. 50–51). American Sovietologists played a key role in this dialogue. Bockman emphasizes the role of scholars like Wassily Leontief, himself a Soviet émigré and teacher of another leading American expert on the Soviet Union, Abram Bergson. Leontief organized joint East-West economist conferences and exchanges, which were supported by institutions like the Ford Foundation. While the original intention of these exchanges was to undermine socialism, Bockman claims that Western and Eastern economists increasingly came to perceive each other as colleagues within the same economic profession. A joint body like the International Economic Association played a key role in this process. In 1975, the Dutch-American economist Tjalling Koopmans and his Soviet colleague Leonid Kantorovich, who had been corresponding since 1956, even won a joint Nobel Prize for their work on linear programing. Bockman takes this as an example for the similar tools and methods economists in East and West used (p. 67).

The third and fourth chapters are case studies of alternative socialist pathways in Yugoslavia and Hungary. Chapter 3 deals with Yugoslavia, which as a non-aligned socialist country occupied a special role in the Cold War world. In their attempt to overcome Stalinist economics, Yugoslav economists developed a model of a decentralized economy in which there was "social ownership" of the means of production, but no state planning. Instead, worker-managed companies were to function according to market criteria. This model of worker self-management (baptized the "Illyrian model" by American economist Benjamin Ward) attracted considerable attention and was spread around the world, in particular through the activities of internationally renowned Yugoslav economists like Branko Horvat and international institutions like the World Bank, in which Yugoslavia participated from early on. Moreover, Yugoslavia actively sought the training of its economists in institutions abroad, especially in the United States, which linked the country's economic scholarship to the international mainstream.

Chapter 4 investigates the development of neoclassical reform economics in Hungary, which pursued a market socialist agenda with socialist institutions competing on a competitive market. Here, too, Bockman claims that "reform economists differed most fundamentally not over market versus plan but over whether they advocated hierarchical institutions or decentralizing, democratic institutions as necessary for this competitive market and central planning" (p. 106). These reform economists first acquired importance under Imre Nagy, and retained their influence even after the 1956 Soviet invasion, Nagy's fall from power and subsequent purges within the Economic Science Institute created in 1954. Hungarian economists like János Kornai and András Nagy participated in transnational dialogues with their American colleagues, who shared their interest in an optimizing market mechanism. One outcome of Hungarian reform economics was the introduction of the New Economic Mechanism (NEM) in 1968, which introduced market elements in the socialist system. However, these reforms did not lead to decentralization, but on the contrary reinforced hierarchical institutions, which led to frustration among reform economists.

The fifth chapter then focuses on a peculiar liminal space of the Cold War, the Center for the Study of Economic and Social Problems (CESES) in Milan, Italy. According to Bockman's account, this basically right-wing, pro-capitalist think tank was filled by scholars from the anti-Soviet left (Maoists, Trotskyists, market socialists, libertarian socialists, and others) as well as "reform-minded" (rather than strictly anti-communist) Eastern European émigrés like Alec Nove and Jiří Pelikán, who were capable of communicating with their counterparts in the Eastern bloc and created "new knowledge about a variety of socialisms" (p. 133). It was in this liminal space of the "new Sovietology", she claims, that neoliberal ideas were originally created. "The transnational right would later reinterpret this 'galaxy without borders' as homogeneous and capitalist, but they could only succeed in this appropriation from a stable hegemonic location, which did not yet exist within the shifting political, economic, social, and cultural context of the 1960s and 1970s. The CESES case shows that the ideas and experiments of the dissident left worldwide, and especially those from Eastern Europe, sit at the heart of neoliberalism" (p. 135). It was only after CESES closed its doors and neoliberalism achieved global hegemony in the late 1980s that "the right could coopt liminal spaces like CESES by enframing them or by forcing them into a dichotomy between Western neoliberal capitalism or a defunct Soviet socialism" (p. 156).

Chapter 6 turns to the transnational critique of an ever-narrowed conception of neoclassical economics during the period leading up to the transitions of 1989. While scholars have often focused on the battle between Keynesians and monetarists (and hence supposedly on those who supported the state and those supporting the market), Bockman reinterprets this period as witnessing a clash between those neoclassical economists who advocated "decentralizing, democratic socialist institutions" and others (including conservative political elites in East and West intent on bolstering their own power) who supported "hierarchical, authoritarian institutions, either capitalist or state socialist." The latter comprised the anti-state New Right in the US as well as communist party leaders rolling back market reforms in Eastern Europe (p. 157). This division ran deep through the discipline, including an institution like the World Bank, which at the time hired both right-wing and left-wing economists. At the same time, this international institution planned to help socialist economies make the transition from a hierarchical command economy to market socialism (p. 178). Bockman claims that Gorbachev's Perestroika with its advocacy of a pluralistic economy was but the expression of "the most advanced understanding of socialism among economists in both East and West" developed in international forums like the World Bank, resulting in "many" (or even "most") neoclassical economists around the world entering "the year 1989 with a belief that market socialism might finally be possible."[5] The aim of "market transition" at that time was not capitalism, but market socialism.

Bockman pushes this point even further in the seventh chapter, which appears to be most interesting and also most controversial. I will discuss it at greater length here. Bockman claims that the victory of neoliberalism in Eastern Europe in 1989 happened "in spite of, not because of, the majority of neoclassical economists" (p. 190). She identifies certain "neoliberal" economists (Jeffrey Sachs, David Lipton, Olivier Blanchard, Richard Layard, Milton Friedman, Anders Aslund, and Andrei Shleifer) as espousing a narrow view of neoclassical economics and arguing for the retraction of the state for markets and market institutions to emerge spontaneously. However, she does not take their supposed anti-state position at face value. Instead, in an interesting twist of argument Bockman contends that "this language of disembedding the market from the state obscures the very clear argument these economists made *for particular state and corporate institutions* necessary for markets to thrive."[6] By giving the state the monopoly over privatizing "what was de facto workers' property," these economists, and in particular Lipton and Sachs, essentially "bolstered the central state that Eastern Europeans

5 IBID., s. 157 ("most neoclassical economists"), 180 ("many economists").
6 IBID., s. 192, emphasis added.

had criticized" (p. 193). She contrasts this "shock therapeutic" approach with the ideas of Joseph Stiglitz, who did not brush aside the previous reform experience of the socialist systems and hence did not advocate the start from scratch that Sachs et al. favored. He criticized both market socialist models and neoliberal market fundamentalism which were equally predicated on the unrealistic assumption of perfect markets with perfect information. Moreover, he held real market competition rather than privatization at any cost to be the primary aim of reforms, as privatization would likely maintain monopolistic structures (p. 196).

In line with her assumption that economists are really divided about the issue of hierarchy vs. democracy, Bockman casts the Sachs-Stiglitz controversy as a fundamental disagreement between neoclassical economists "who argue that effective markets (or central planning) require authoritarian institutions and those who argue that effective markets (or central planning) require radical forms of democracy" (p. 200). The "authoritarians" like Sachs won out. As a consequence, and somewhat ironically, Bockman therefore claims that "Eastern European economists with a hierarchical understanding of neoclassical economics – such as central planners – could make the transition most effortlessly from planning to neoliberal reform. [...] In fact, the neoclassical social planner approach, without any attempts at economic democracy or more participatory forms of political democracy, made it seem that the transition would be easy" (p. 202).

In another bold move, Bockman essentially declares the often-cited "Washington consensus" for private property and corporate capitalism an illusion. "Economists themselves could not always recognize significant differences within the discipline. [...] In part, economists seemed to agree because they all could speak about markets and planning (p. 204). But, as Bockman repeatedly points out, not everybody who spoke of markets and market reform was in favor of capitalism. The "East European economists' apparent mass conversion to free markets after 1989" should therefore not be interpreted as a full-scale triumph of neoliberalism. Rather, the triumphalist narrative was the result of the inability of outside observers to distinguish neoliberalism from new socialist forms, precisely because these observers saw markets as an exclusively capitalist institution and interpreted the post-1989 development through the misleading prism of market vs. planning (p. 205).

How did the political shift to neoliberalism happen then? Bockman refers to the political constellation to explain this apparent paradox, given that economists generally did *not* support neoliberalism in her view. It was the alliance of technocrats and the democratic opposition against ideological bureaucrats of the communist parties that "played the decisive role in shaping the postsocialist world as neoliberal," with international financial institutions acting as important allies. Political elites and economists who depended on these international capitalist actors "then reneged on agreements made with workers earlier in the transition" (p. 208). Networks of the transnational right were another factor: they effectively spread their neoliberal message, which itself was the product of plural and sometimes contradictory traditions. "By bringing together economists with contradictory views, the right accumulated resources both to present neoclassical economics as an argument for free market capitalism and to criticize the neoclassical economics of others as inherently socialist. As a result, the opportunistic use of diverse economists allowed the right wing to make almost any argument for neoliberalism" (p. 210). The right-wing activists also succeeded in appropriating the liminal "galaxy without borders" Bockman described in previous chapters and pushing it "into clear binaries: centrally planning socialism or free market capitalism, state property or private property. [...] We can see right-wing activists as a reactive force that exploited the creative struggles occupying Cold War liminal spaces" (p. 212).

What are we to make of Bockman's argument that a few well-connected neoliberals essentially stole the moment in 1989, when "most economists" believed the time was ripe to introduce market socialism? This argument goes plainly against the mainstream interpretation of a full-scale neoliberal triumph after 1989, a fact that makes it tempting to buy into it. However, there are good reasons to be skeptical. One is Bockman's inability to quantify her majorities. What does it mean when she writes "most economists" or "many economists around the world" believed in market socialism? This never becomes quite clear, and this vagueness detracts from the force of her argument, also because the proponents of the anti-socialist approach have a name and a face. Moreover, in my view she does not take sufficient account of the actual descent into chaos taking place in the wake of half-hearted market reforms in the socialist systems of the late 1980s. She merely treats the fear of chaos as a pretext for neoliberal elites to seize the moment and push their agenda as the only alternative to doom. Yet she does not consider the reality of the chaos that became associated with market reforms and that in the eye of the contemporaries made market socialism appear as a rather problematic alternative. Even if we accept her argument that the majority of economists were indeed in favor of market socialism, we cannot ignore the havoc wreaked by actually existing market reforms within the state socialist system. Inflation and shortage certainly made a change of system appear an attractive option, without, of course, instantly converting the majority of citizens to neoliberalism and "shock therapy".

Despite this impression that Bockman overstretches her point, the book makes for a fascinating and inspiring read, her somewhat tedious habit of writing nearly identical topic sentences at the beginning and end of many paragraphs notwithstanding. It gives an important impulse to see 1989 not as an over-determined historical moment with only one direction – liberal capitalism – but as a moment when alternative pathways were open. Whether these alternatives were actually as high on the agenda of "most economists" as Bockman claims is a different story. But her account does restore the memory of the hopes that people at the time placed in Perestroika and a reformed communism and the excitement that a figure like Gorbachev evoked around the world. It is a forceful challenge to Fukuyama's "end of history" thesis, according to which the Western brand of liberal capitalism and democracy won the battle of systems and remained as "the only game in town." This thesis, while often criticized and even ridiculed, still holds powerful sway over the contemporary imagination, precisely because no viable alternative to the current system seems to be in sight, despite its profound crisis. Bockman shows that even at the time when state socialism died, not all alternatives to capitalism died with it – precisely because the Soviet-style system never was the only socialist game in town. Moreover, Bockman's book does an excellent job when it unearths forgotten historical episodes about liminal cold war interaction, be it at CESES in Milan or at the World Bank. This is a fascinating story in and of itself that teaches us a lot about the limits of the bloc confrontation and shows how a new history of the Cold War can and should be written.

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