Introduction
Economists and Socialism

ONE OF THE MOST DRAMATIC EVENTS of the past fifty years has been the worldwide embrace of neoliberalism, an economic and political ideology that glorifies the market and condemns the state, socialism, and even collective ideals, such as social justice. The Reagan and Thatcher governments epitomized these trends by attacking the welfare state, rejecting state regulation, privatizing state companies, and turning over state functions to market actors. Observers soon found that many Eastern Europeans also had a seemingly Reaganite or Thatcherite obsession with free markets. As an exchange student in Budapest, Hungary, in fall 1988 and spring 1989, I also was bewildered by the supposed socialists who taught us at the Karl Marx University of Economics and sounded more like Reagan Republicans than socialists. The fall of the Soviet Union in 1991 seemed to affirm the global victory of neoliberal capitalism, leading to the further dismantling of state socialism and the implementation of market and democratic reforms around the world. Neoliberalism fundamentally changed the world. This book suggests that, far from a hegemonic juggernaut, neoliberal capitalism was a parasitic growth on the very socialist alternatives it attacked.

An enormous literature explores the rise of neoliberalism and its profound effects on economies, polities, cultures, and societies. A new literature investigates whether neoliberalism is now on the decline.[1] In this book, I study the central role of professional economists in the development and spread of neoliberal ideas and policies. Economists create many of the images and the language that policy makers and laypeople use to discuss the economy. Through their influence on political and other elites, they also change the world to better fit their theories and abstract models.[2] Even "the economy" itself as a distinct sphere and an object of social science and government policy resulted from the professional work of economists collaborating with governments and other organizations (Mitchell 2002: ch. 3).

In general, scholars have presented three accounts of how economists developed and spread neoliberalism. Each assumes that economists have always taken a side either for the state or for the market and thus that every economist can be located on a state–market axis. The first account focuses on individual right-wing economists, most significantly Milton Friedman and Friedrich von Hayek, who developed radical free market ideas that form the core of neoliberalism. A strategic network of right-wing think tanks, associations like the Mont Pelerin Society, and foundations like that of the Scaife family packaged these neoliberal ideas and used them worldwide to attack any state role in the economy, from regulation to Keynesianism to central planning (Bourdieu and Wacquant 1999; Campbell 1998; Centeno 1998; Cockett 1995; Hartwell 1995; Harvey 2005; Kelly 1997; Klein 2007; Mirowski and Plehwe 2009; Smith 1993; Valdés 1995; Yergin and Stanislaw 1998).[3] In her *Shock Doctrine*, Naomi Klein (2007) argues that Milton Friedman and other neoclassical economists took advantage of economic crises to realize this radical free market package as shock therapy, which produced "disaster capitalism" worldwide.

A second type of account suggests that neoclassical economics, with its free market models, acts as a kind of neoliberal Trojan horse (Aligica and Evans 2009; Biglaiser 2002; Kogut and Macpherson 2007).[4] In his *A Brief History of Neoliberalism*, David Harvey (2005) brilliantly describes neoliberalism as a political project to restore the power of economic elites after the successes of the left in 1960s, but he conflates neoliberalism and neoclassical economics.[5] Ronald Reagan and Margaret Thatcher came to power with a mandate to realize this political project, bringing it together with a separate "utopian project" to realize right-wing economists' vision of free market capitalism that masked the political project. According to many authors, this neoliberal vision is based on neoclassical economics, in opposition to Marxism. Harvey writes:

> The neoliberal label signaled their [these economists'] adherence to those free market principles of neoclassical economics that had emerged in the second half of the nine-

teenth century (thanks to the work of Alfred Marshall, William Stanley Jevons, and Leon Walras) to displace the classical theories of Adam Smith, David Ricardo, and, of course, Karl Marx. (2005: 20)

Harvey finds the core of neoliberalism in neoclassical economics with its "free market principles." Sociologists Campbell and Pedersen similarly argue that "a deep, taken-for-granted belief in neoclassical economics" forms the core of neoliberalism (2001: 5). Scott Sernau represents a more generally held view:

> Many nations around the world were discovering the ideas of free trade and free markets. The intellectual basis for this approach comes from neoclassical economics. This approach is sometimes termed neoliberalism . . . Thus neoliberalism is the economic philosophy of American political conservatives . . . On the international level, the IMF and the World Bank champion their own form of neoclassical economics. (2010: 39–40)

Neoclassical economics, many observers agree, has played a fundamental role in the rise of neoliberalism worldwide. The conversion of much of the world to neoclassical economic thinking, according to these accounts, led to support for neoliberalism and thus undermined socialism, which did indeed suffer a cataclysmic decline from the late 1980s.

The third type of account points to economists with American neoclassical training who gained powerful positions in international financial institutions, such as the World Bank and the IMF, which impose neoliberal ideas on countries around the globe and support the formation of neoliberal advocates worldwide (Babb 2001; Dezalay and Garth 2002; Henisz, Zelner, and Guillén 2005; Orenstein 2008).[6] Economists within these institutions and their worldwide network of advocates successfully replaced state-led development with neoliberal free market policies. These three arguments work nicely together to demonstrate how economists' ideological project worked in parallel with business elites' political project to reorganize capitalism and reestablish their own power (Blyth 2002; Harvey 2005; Klein 2007).

This manuscript builds on, but also criticizes, these three types of accounts by revealing the socialist origins of neoliberalism. The right-wing, capitalist origins of neoliberalism have been clearly demonstrated. Observers have noted that not only right-wing leaders, such as Pinochet in Chile and Fujimori in Peru, but also socialists, such as those in Western Europe and Latin America, implemented neoliberal policies (Bourdieu and

Grass 2002; Mudge 2008; Sader 2008). To understand this, I argue that we should not conflate neoliberalism and neoclassical economics, we should not assume that neoclassical economics is a capitalist science or ideology, and, most importantly, we should go beyond the state–market axis.

I define *neoliberalism* as a set of ideas about how to organize markets, states, enterprises, and populations, which shape government policies.[7] These policies include deregulation, liberalization of trade and capital flows, anti-inflationary stabilization, and privatization of state enterprises. My understanding of the debates in Eastern Europe and about Eastern Europe in the early 1990s informs this definition.[8] The most striking characteristic of neoliberalism has been its advocacy of free, unfettered competitive markets, or in the words of Joseph Stiglitz its "market fundamentalism" (2003: 74).[9] According to neoliberal ideology, competitive markets and prices, free from political intervention or bureaucratic interests, could and should take over state functions. Competitive market prices could guide governance more effectively and more justly than the state could. At the same time, neoliberals call for a strong or even authoritarian state to protect private property, as well as to create private property and markets.[10] Neoliberalism also privileges the power of managers and owners and attacks the rights or potential rights of employees (Harvey 2005). There is a distinct lack of concern among neoliberals about the inefficiencies and concentrations of power within large corporations (Mirowski 2009: 438). Finally, Milton Friedman, Friedrich von Hayek, and other neoliberals also had a commitment to capitalism, a kind of capitalism with the qualities listed above: free markets, authoritarian yet small states, and hierarchical firms controlled by managers and owners, rather than by workers. In sum, neoliberalism avidly supports all of the following:

1. competitive markets
2. smaller, authoritarian states
3. hierarchical firms, management, and owners
4. capitalism

Someone who supports only one of these elements, even competitive markets but not the others, is not necessarily neoliberal.

This fourfold definition avoids the common assumption that economists are either pro-state or promarket. As Timothy Mitchell (1990) argues, elites "enframe" the world into dichotomies, constructing a seemingly dualistic world—Soviet socialism versus Western free market capitalism, for instance—to bolster their own authority. The state–market dichotomy obscures the nature of economics and elite power. This dichotomy easily blurs into other dichotomies: between socialism and capitalism, between central planning and the market, between Keynesianism and monetarism, between Latin American structuralist economics and American neoliberalism, and between Marxism and neoclassical economics. As a result, arguments about the state almost effortlessly become a mishmash of arguments about socialism, central planning, Keynesianism, Latin American economic structuralism, and neoclassical economics. In contrast, I have found that neoclassical economists, in their professional writing, do not focus on whether they are for or against the competitive market; rather, they use markets, central planning, socialism, and neoclassical economics simultaneously as analytical tools and sometimes as normative models. They have also been more concerned about another axis altogether: hierarchy and democracy. For example, some neoclassical economists advocated markets and rejected state planning in the name of economic democracy and communism. Thus, these economists criticized state socialism and state capitalism, as well as corporations, with the goal of ending worker exploitation and creating a new form of socialism. Another set of neoclassical economists also advocated markets but assumed hierarchical firms and an authoritarian state. The state–market axis used in public discourse hides a very different conversation going on within professional economics.

My approach complements, but also deviates from, Foucauldian studies of neoliberalism. In his lectures at the Collège de France in 1978 and 1979, Michel Foucault (2008) discussed neoliberalism as a form of governmentality. Those following Foucault understand neoliberal governmentality as seeking to manage populations by shaping individuals as governable, self-disciplined, enterprising subjectivities—thus engineering their souls—and by governing them from a distance, not though direct intervention by state agents, but by calculation, guidance, and incentives (Ong 2006; Rose 1996: 1999). Using this approach in his study of Czechoslovak technocrats, Gil Eyal (2003) has demonstrated that neoliberalism also emerged independently from capitalism and out of Eastern European socialism. Eyal has suggested that neoliberalism is not necessarily capitalist but rather is an art of governance possible under a variety of economic systems. By highlighting the ways that state, market, and expert power were fused in a new neoliberal configuration during socialism, Eyal productively avoids assuming that economists have always taken a side either for the state or for the market. Yet, while the Foucauldian approach has produced many insights into neoliberalism, it collapses alternatives to neoliberalism, including socialisms, into neoliberalism as simply other examples of engineering the soul. To understand the views of neoclassical economists more generally, one must move beyond the state–market axis to recognize the variety of socialisms that neoclassical economists have explored since the nineteenth century.

In the United States and now around the world, neoclassical economics represents the mainstream of the economics discipline. Neoclassical economics differs from heterodox economics, including Marxism, evolutionary economics, and the Austrian School after the Second World War, which this book only briefly discusses. Keynesians, libertarian and monetarist Chicago School economists like Milton Friedman, and many Eastern European socialists all practiced this neoclassical economics, while Friedrich von Hayek and the Austrian School abandoned this practice after the Second World War. Neoclassical pioneer and Keynesian Paul Samuelson acknowledged this view: "Economists do agree on much in any situation" (1983: 5). For example, in regards to Milton Friedman, Samuelson continued, "I could disagree 180° with his policy conclusion and yet concur in diagnosis of the empirical observations and inferred probabilities" (1983: 5–6).[11] Therefore, to understand neoliberalism, we must separate neoliberalism and neoclassical economics and leave behind the common assumption that neoclassical economics is a science of capitalism.

William Stanley Jevons in England, Carl Menger in Austria, and Léon Walras in Switzerland are generally credited with simultaneously discovering neoclassical economics in the 1870s.[12] Neoclassical economists moved beyond the classical view that the value of goods is based on the *objective* costs of their production (the labor theory of value) to the neoclassical view that value is *subjective* or *perceived*, that the individual agent—an individual or a firm—judges the utility or usefulness of certain goods or services. This shift to a subjective understanding of value and prices in the 1870s created what became known as the Marginalist Revolution because neoclassical economists began to study individual agents' behavior at the margins, such as the additional satisfaction a consumer gains from each extra (or marginal) unit of consumption. This is why neoclassical economics is often referred to as "marginalism."[13] While not all neoclassical economists used mathematics, such marginalist understandings of economic behavior allowed economists to apply calculus, theorems, and metaphors from physics to the field of economics, which seemed to promise a new scientific foundation based on the regularities of the mechanical world (Mirowski 1989).[14] Neoclassical economists also studied how markets coordinate agents in some regular way, thus allowing economists to describe and predict collective action. These economists assumed that markets (individually and collectively) have at least one equilibrium state in which prices encourage the most efficient production, distribution, and consumption. Neoclassical economics was not immediately popular among economists but became the mainstream by the Second World War (Bernstein 2001; Howey 1989; Yonay 1998). In sum, neoclassical economics is characterized by the study of individual agents, subjective values and prices, marginal calculation, collective action through markets, and market equilibrium.[15]

Neoliberalism can be said to have socialist origins for three reasons: Economists use socialist models to create new knowledge; these socialist models allowed for a professional dialogue among neoclassical economists in the socialist East and the capitalist West; and neoliberalism incorporates the knowledge created in this transnational dialogue about socialism. I explain each of these points in the following paragraphs.

First, while the language of individuals, markets, and prices suggests a capitalist perspective on the economy, socialism in fact plays a foundational role in neoclassical economics. Because some neoclassical economists have played a central role in promoting and implementing neoliberal polices, this suggests that neoliberalism has socialist origins. Neoclassical founders created mathematical models of the entire economy and showed that freely competitive markets produced optimal results in production, distribution, and consumption. Unexpectedly, by the 1890s, neoclassical economists also discovered that the competitive market economy was mathematically identical to the centrally planning economy. An economist could, therefore, take the mathematical models of the market and, rather than predicting how a free market might act, the economist could solve the equations and figure out the best prices and quantities without a market. Economists developed models of a "socialist state" with a central planner and state ownership of the means of production to develop new neoclassical theories and tools. As a result, both the pure competitive market and centrally planned socialism sit together at the center of neoclassical economics, no matter the politics of an economist. The methodological centrality of socialism to neoclassical economics informs neoliberalism.

Today, neoclassical economists still regularly use models of a socialist state to develop their theories. Former head of the China division at the International Monetary Fund and current advisor to the Indian government Eswar Prasad recently stated, "We economists think that a benevolent dictator—a benevolent dictator with a heart in the right place—could actually do a lot of good" (Kestenbaum 2010). Prasad does not voice some eccentric view. A benevolent dictator, more usually called "the social planner," appears throughout mainstream economic writing. The Chicago School (for example, Becker, Murphy, and Grossman 2006) and the rational expectations school (Hansen and Sargent [1994] 1996; Kydland and Prescott 1982; Lucas 1972; Lucas and Prescott 1971),[16] as well as the more left-leaning market failure school (Dasgupta and Stiglitz 1980a,b), base their models on a hypothesized social planner.[17] According to economists, the social planner is an imaginary benevolent representative for all of society. This planner has complete information about costs and preferences.[18] With perfect knowledge and certainty, the social planner chooses, for example, production activities to maximize consumption. In this way, the social planner seeks to maximize social welfare for all members of society. The economist then evaluates the results of a new policy or institution in comparison with the results obtained by the social planner, which serve as a benchmark. As this book shows, the social planner is the socialist state as imagined in the 1890s. Mainstream economists, no matter their political persuasion, mobilized state socialist models to study all economic systems and policies.

Neoliberalism appears as disembedded liberalism, as a commitment to unfettered markets (Blyth 2002), when, in fact, institutions are always the object of debate. If we understand institutions as taken for granted social patterns, then markets and planning should also be considered institutions, but I have found that neoclassical economists think about markets and planning differently from other institutions. On the surface, some economists present a narrow interpretation of neoclassical economics that markets and any necessary institutions would spring up like mushrooms when the state retreated from the economy. Alternatively, Eastern European conservatives also offered a narrow view of neoclassical economics, which instead argued that central planning and any necessary institutions would spring up like mushrooms when markets disappeared. Markets and a centrally planned socialist state exist at the core of neoclassical economics and thus embody these narrow views. However, narrow interpretations merely take the existing institutions as given (Horvat 1961, 2). Neoclassical economists continually talk about institutions required for the successful functioning of these core elements, the market or the centrally planned socialist state.

Neoclassical economists claim that both competitive markets and central planning require either (1) hierarchical, authoritarian institutions or (2) decentralized, egalitarian, democratic institutions. For example, economists David Lipton and Jeffrey Sachs argued for the necessity of hierarchical institutions, such as large (often foreign) corporations that have the funds to buy state-owned firms, for the eradication of worker self-management and ownership due to their supposed inefficiencies, and for a strong state to enforce massive redistribution of resources. In contrast, some socialist economists in Germany and England in the early part of the twentieth century optimistically thought that socialist institutions would make the economy actually resemble the ideal neoclassical models of the free market. These institutions included state or social ownership of certain parts of the economy, worker ownership of firms, workers' self-management, cooperative ownership, and various forms of democracy, as well as antimonopoly laws and company autonomy, that would make free markets, as well as efficient and just socialism, possible. Thus, an economist like Joseph Stiglitz has been equally committed to competitive markets and to economic democracy. In the eyes of neoclassical economists, this was not a mix of systems, a little bit of socialism mixed with a little bit of capitalism, like some image of Keynesianism. Rather, these economists sought a fully competitive market and socialism. The fact that neoclassical economists speak so positively about markets confuses outsiders into thinking that they are necessarily neoliberal.

Second, the methodological centrality of socialism to neoclassical economics allowed for a decades-long conversation about socialism and markets among economists, no matter their political commitments, in the socialist East and the capitalist West. The centrality of socialism to neoclassical economics meant that a wide variety of socialisms were relevant to neoclassical economics—abstract models of centralized and decentralized planning, real experiments in market socialism, abstract models of worker self-management socialism, real experiments in worker self-management socialism, cooperatives, and so on—and that neoclassical economics was relevant to socialism. After the death of Joseph Stalin in 1953 and the end of McCarthyism, the relaxation of Cold War tensions allowed the flourishing of new liminal spaces and liminal individuals, who criticized both Soviet socialism and Western capitalism. Douglas (1966) and Turner (1967, [1969] 1995) theorize that individuals "betwixt and between" statuses are seen as polluting and thus dangerous, as well as charismatic, due to their access to inaccessible and potentially corrupting knowledge of the realms they are between. Although examining rituals, Douglas's and Turner's concepts help illuminate the emergence of transnationally connected liminal spaces within Eastern Europe, Western Europe, and the United States. Within these liminal spaces, transnational dialogue among heterogeneous networks created new neoclassical knowledge and new knowledge about socialism that did not and could not exist before.[19] Within these liminal spaces, small, though soon expanding, numbers of economists from East and West discussed neoclassical economics and socialism.

This book explores two Eastern European experiments in decentralized socialism, Yugoslav worker self-management socialism and Hungarian market socialism. Because an abstract model of one form of socialism, central planning, existed at the center of neoclassical models, neoclassical economists found all kinds of abstract and concrete models of socialism helpful for developing new knowledge. This transnational conversation involved the leading members of the economics discipline and made fundamental contributions to neoclassical economics, which, in turn, informed neoliberalism.

Third, 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. Eastern European economists' apparent mass conversion to free markets supported the triumphalist view of the post-1989 right. Yet, as has been briefly discussed, neoclassical economists agreed that markets could be integrated into socialism and, in fact, that socialism might provide the best conditions for markets. Groups of socialists worldwide had long criticized state control of the economy and advocated markets, while at the same time calling for economic and political democracy, worker or cooperative ownership of the means of production, and other socialist institutions. Many, though by no means all, neoclassical economists took part in this discussion in the hopes of creating democratic and

TABLE I.1 Comparison of socialisms and neoliberalism. Terms are italicized to emphasize the similarities across economic systems.

Soviet socialism	*Hungarian socialism*[a]	*Yugoslav socialism*[b]	*Neoliberalism*
Pro-state	Pro-state and *antistate*	*Antistate*	*Antistate*
Antimarket	*Promarket*	*Promarket*	*Promarket*
State ownership of the means of production	State ownership of the means of production	Nonstate ownership (social property)	Private ownership
Large monopolistic firms	Competitive firms	Competitive firms	Large monopolistic firms
Hierarchical management	Hierarchical and workers' self-management	Workers' self-management	Hierarchical management
Socialist	Socialist	Socialist	Capitalist

[a] This is the Hungarian model envisioned in the New Economic Mechanism reforms.

[b] This is the model promoted by leading Yugoslav economic experts in the 1950s and 1960s.

prosperous economies and replacing the often hierarchical and repressive structures equally characteristic of both Soviet state socialism and Western monopoly capitalism.

These new forms of socialism appeared neoliberal because outside observers often assumed that Soviet state socialism was the only form of socialism and that markets were necessarily capitalist. Outside observers often could not distinguish neoliberalism from the new forms of socialism. In the accompanying table, we can see how Yugoslav socialism differs from Soviet socialism but also how Yugoslav socialism, particularly as envisioned in the 1950s and 1960s, resembles neoliberalism in some of its ideals. Yugoslav socialism and neoliberalism share a distrust of the state and an embrace of the market (see Table I.1).

However, Yugoslav socialism and neoliberalism greatly differ on the institutions required for a functioning market. While they agree on economic means, their political ends and fundamental values are diametrically opposed. If one viewed Eastern European economic debates through the binary of market versus planning, then one would easily conflate neoliberalism with the new forms of socialism.

International and domestic political elites created a package of neoliberal ideas to take advantage of the changing political situation around 1989. These elites, as well as right-wing economists and activists, co-opted critical, transnational socialist discussions and presented them, along with a narrow version of neoclassical economics, as calls for private property, hierarchy, and markets within capitalism.[20] In doing so, they distorted the neoclassical economic discussion of socialism and markets into neoliberal ideology. Neoliberalism thus, despite the intentions of its proponents and the worst fears of its opponents, still contains, at least in potential, decades of radical democratic and socialist experiments.

A libertarian economist or a monetarist might now stand up and say, "See, we were right! Those Keynesians were a bunch of socialists!" Many observers assume that there is a capitalist economics that is fundamentally different from a socialist economics. They might argue that current-day Austrian School economics is capitalist, while Marxist political economy is socialist. In the eyes of many neoclassical economists, however, Marxist political economy was not, in fact, an economics of socialist planning but rather a critical economics of capitalism. The nineteenth-century Austrian School, paradoxically, presented an economics of socialism, as discussed in Chapter 1 of this book.

Scholars have not recognized these aspects of neoclassical economics because they often have not read the professional writings of a broad swath of neoclassical economists carefully enough and have instead assumed that economists' professional work, what they publish in their professional journals, reflected neoliberal capitalist principles. Economists themselves have often obscured the nature of their own professional work. Some of the most popular works by economists like Milton Friedman in his *Capitalism and Freedom* (1962a) and Friedrich von Hayek in *Road to Serfdom* (1944) bolster the view that economists write primarily political or ideological tracts. Scholars and journalists also often focus on a small group of celebrity economists—such as Jeffrey Sachs or Milton Friedman and people close to them—and assume that all mainstream economists share their ideas (for example, Harvey 2005; Klein 2007). Some economists might be angry about this misperception, though most economists do not seem aware of the problem. I once asked an economist why he and other economists continued to let the public think that they were conservative right-wingers. He immediately criticized me for thinking that economists were conservative right-wingers. All the economists he knew were left wing. Although I tried to say that I did not actually think this but rather wanted to know why economists allowed this common misperception, he continued to fume at me about my ridiculous assumptions. It seemed as if he did not know that people in general assumed this about economists as a group. Yes, professional work is always ideological, but not necessarily in the way it first seems. Analysts have not taken the time to study economists' professional writings and clarify what economists actually do.

Scholars have also often privileged the agency of Western economists and right-wing activist networks, considering Eastern European, as well as African, Asian, and Latin American, economists as naïve or passive recipients of knowledge. It has generally been assumed that Eastern European economists did not know about supposedly capitalist neoclassical economics (Aligica and Evans 2009; Grosfeld 1990) and that they either followed only Marxist-Leninist political economy or created a new ad hoc economics based on "learning by doing" (Kovács 1990: 224). After observing socialist economists speaking like free market capitalists in Hungary in 1988 and 1989, I began to question the relation of "Western" capitalist and "Eastern" socialist economic knowledge. In Hungary, I interviewed economists and conducted research in the archives of the Communist Party, the state, the Academy of Sciences, and the Karl Marx University of Economics. Without knowing it at the time, I had embarked on a long journey following the transnational connections of socialist economists supposedly isolated from capitalist neoclassical economics. What I found in Hungary led me to conduct interviews with these economists' colleagues in the United States. This research then directed me to a think tank in Italy and to further archives and interviews in the former Yugoslavia. Finally, these findings prompted research into the Yugoslav economists' colleagues in the Third World.

The advantages of conducting research in many locations are twofold. First, most scholars study economists and their ideas in a single country, so that, even when many studies of individual cases are put together, these national disciplines are studied separately (Fourcade 2009; Kaase, Sparschuh, and Wenninger 2002; Milenkovitch 1971; Wagener 1998). The scholarship has been comparative but not transnational. Economists may, in fact, share more in common with colleagues abroad than with their colleagues at home (Babb 2001; Coats 1996; Fourcade 2006; Valdés 1995). Second, by using a variety of languages, the scholar can gain access to works not deemed worthy of translation and works containing items of interest primarily to the local economist, such as book reviews, conference reports, reports on new professional developments, and so on. In this book, I use texts written originally in French, German, Italian, Hungarian, Russian, and Serbo-Croatian, which, unless otherwise stated, I translated myself and which provide insight into local trends and debates. In addition, one can potentially read works that more ideological economists refer to and reinterpret, and thus one can investigate the original texts and local interpretations. This is particularly important within the ideological context of the Cold War and post–Cold War triumphalism, when the histories of socialism were rewritten to appear to lead inexorably to the neoliberal, capitalist present.

We can see right-wing activists as a reactive force that exploited the creative struggles occupying and defining Cold War liminal spaces.[21] Many institutions brought together individuals interested in convergence between East and West, South and North to talk about socialism, human rights, social justice, and many other topics. Through these discussions, people sought to understand not only capitalism but also what socialism might become if it was not necessarily Soviet socialism. The knowledge about socialism and capitalism that developed out of liminality now appears as nothing more than neoliberal ideology but only because "the narrow window of the neoliberal imagination" makes invisible the liminal discussion and the alternatives, leaving only hegemony in view (Mitchell 1999: 32). I seek to reconstruct the liminal spaces that have since been divided into dichotomies by a dualistic world of power, to reconnect the history of neoliberalism with that which it has excluded from its own history: socialism, Eastern Europe, and the transnational left.[22] Those in transnationally connected liminal spaces again seek to understand the post-1989 convergence, what post-state-socialism is, what neoliberal capitalism is, and what socialism might become.[23]

Chapter 1 of this book examines the emergence of neoclassical economics from the 1870s to the 1950s, laying the foundation for the rest of the text. This chapter explores not only the historical origins of neoclassical economics in Western Europe and how socialism became an analytical tool with which to develop neoclassical economics but also its parallel development in the Soviet Union as a tool with which to improve socialism. The death of Stalin in 1953, the end of McCarthyism, and a thaw in the Cold War allowed economists to begin a direct, though difficult, East–West dialogue based on neoclassical economics, which Chapter 2 explores. Chapter 3 turns to Yugoslavia, which was expelled from the Soviet bloc and became a widely admired global economic model with its antistate, promarket, worker self-management socialism. Chapter 4 focuses on Hungarian "goulash communism," Hungary's own form of market socialism. In Chapter 5, I turn to Western Europe, examining a think tank in Milan, Italy, the Center for the Study of Economic and Social Problems (CESES), which was, to all appearances, a right-wing institution controlled by transnational right-wing activists, but, in fact, depended on left-wing scholars thinking about critical Marxism and far-left alternatives to both state socialism and Western capitalism. In Chapter 6, I reinterpret the Eastern European revolutions of 1989, not as an embrace of free market capitalism but rather as an attempt to realize democratic market socialism. In the final chapter, Chapter 7, I seek to explain how the goal of transition transformed from realizing democratic market socialism to destroying socialism and creating capitalism, as well as how neoclassical economics was mobilized to support neoliberalism. However, socialism remains latent within the very methods and theories of neoclassical economists, including those of Milton Friedman and the Chicago School, those of Joseph Stiglitz and his market failure colleagues, and those of economists living in socialist Eastern Europe.