

# **The Special Cultural and Sociological Challenges Involved in Modernizing Mongolia's Nomadic Socialist Economy**

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## **Introduction**

Mongolia in 1993 is a vast landlocked country of 2.2 million inhabitants and 25 million head of livestock. Its traditional style of economic production is based on herding and hunting and was developed over the millennia by the Altaic peoples who sparsely settled its hostile steppe and desert lands. Unlike the great majority of other nations in the world, the indigenous, environmentally-attuned nomadic economy of Mongolia did not die out in the modern era, despite development of urban centers. Even the socialist period in the 20th century did not erase the basic nomadic character of Mongolia's economy, although the Mongol government and its main mentor, the Soviet Union, stressed urbanization, light industrialization, and true agriculture at the expense of the traditional animal husbandry base.

Mongols attempted to cast off their nomadic, quasi-feudal, pre-1921 revolutionary social system to assume a socioeconomic identity as a Communist state.<sup>1</sup> Transformation of Mongolia's social and economic spheres for seventy years was guided by the Soviet Union, yet the Mongols stubbornly retained certain national social characteristics that were fundamentally different from other socialist command economies. The "peculiar inertness or stagnation" of Mongols and other Inner Asian peoples has been explained by Russian analysts such as L.N. Gumilev as stemming from their past bitter struggles for survival.<sup>2</sup>

In 1993 Mongolia is in the midst of transforming its economy into a free market system. Attempts at reform began in the 1980s under Premier Batmonkh,<sup>3</sup> in emulation of the Gorbachev pattern in the

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<sup>1</sup> *Area Handbook for Mongolia*. (Washington, D.C.: Foreign Area Studies, 1970), p. 73.

<sup>2</sup> L.N. Gumilev, *People and Nature of the Great Steppe* (Moscow: Voprosy Istorii, 1987), No. 11, p. 84.

<sup>3</sup> Originally an economics professor, Batmonkh became Premier of Mongolia in 1984 upon Y. Tsedenbal's retirement. Batmonkh led the Mongolian

Soviet Union. Some researchers such as Bibek Debroy, after analyzing economic data through 1985, maintained that there was no reason *per se* for these early attempts at free market economic reforms.<sup>4</sup> Recently, economists, native and foreign, have commonly viewed the reforms since the 1980s as part of the process of moving Mongolia's command agro-industrial economy to a free market one.

Such analyses fail to consider the intrinsic nomadic nature of the Mongolian economy. This dismissive attitude among free market economists exists because modern free market theories arose from the sedentary, agricultural, industrial experience of western countries, which has appeared to be universally applicable to the successful economic development of countries in other areas of the globe during this century. The former socialist nations of Eastern Europe and the western half of the now defunct Soviet Union share this economic heritage, and therefore are likely to respond according to previous economic patterns.

However, Mongolia began its association with the modern epoch with no skilled labor force. Since there was no working class in the modern sense of the term in pre-revolutionary Mongolia, there was no indigenous urbanized working class tradition to fall back on when the artificial structures of the socialist command economy were dismantled beginning in 1990. Prior to the introduction of socialism, few Mongols were involved in trades or crafts or skills that could be adapted to modern industrial life. The vast majority of Mongols were illiterate livestock-herding nomads. In 1924, one Mongolian leader observed that not more than 150 Mongols were engaged in any kind of industrial activity in the whole country.<sup>5</sup> There was no surplus of urban manpower for the Marxist planners to tap into for economic modernization.

Therefore, Soviet advisers established a society in which all economic activity was concentrated in the public sector. Attempts were made to develop a skilled working class, but because the Mongols had no indigenous base upon which to build this, tens of thousands of

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Government until the spring of 1990, when street demonstrations against Mongolia's communist system brought his government down.

<sup>4</sup> Bibek Debroy, "Reforms in the Centrally Planned Economies: Case of Mongolia," in *Mongolia Culture, Economy, and Politics (Indian-Mongolian Assessment)*, R.C. Sharma, K. Warikoo, M. Haidar, Sh. Bira, editors (New Delhi, India: Hama Publishers, 1992), p. 146.

<sup>5</sup> Marshal Choibalsan, quoted in *Handbook*, pp. 339-340.



Soviets and Eastern Europeans were brought into Mongolia for decades to operate and manage the few major state enterprises, factories and mines. By the time the socialist system began to unravel in 1990, the Mongol Government still had not developed sufficient numbers of skilled native workers. Now, with the rapid dismantling of Mongolia's public sector (through privatization and the departure of foreign technicians), the country's economy has collapsed to expose the lack of a pre-socialist era economic foundation upon which to build free market institutions.

Regardless of philosophical school, modern economists (western or eastern) hold distorted views of nomadism which arise from their own sedentary backgrounds. Consciously or subconsciously, they consider the nomad as the barbarian. This viewpoint has been called the barbarian syndrome. After all, the developed West forcibly assimilated and killed its indigenous nomadic populations over the centuries. In Europe today, there is only the remnant group known as gypsies which still cling to a nomadic lifestyle. They are reviled and discriminated against by European peoples and governments alike, as exemplified by the German Government's decision to expel 60,000 gypsies back to Romania in 1992. After decades of Nicene wars in the United States, the American Government has contained the remnants of the indigenous nomadic Indian populations on rigidly defined reservations to severely limit any tribal migrations.

There has been a similar historical pattern in regard to Mongolian nomadism. For centuries, Mongolia's two great neighbors have displayed a pattern of distrust for and dismissal of the inherent worth and utilitarian value of this traditional economic form. The Chinese have traditionally viewed the horse-riding northern border peoples as fundamentally different from and hostile to them. Much of Chinese history is viewed as the struggle for dominance between the sedentary agricultural Chinese and nomadic powers such as the Mongols. Soviet and Chinese Marxist economists viewed Mongolia's traditional way of life as an example of the whole troubling issue of nomadism: pastoral nomads did not fit well into any unilineal historical stages and when nomadic states collapsed, the nomads appeared to revert to their traditional tribal organization--an impossibility,

according to Marxist theory, if these institutions had really been destroyed during state formation.<sup>6</sup>

These hostile attitudes have arisen despite the generally accepted proposition of economic historians that the emergence of pastoral nomadism across the Eurasian steppes is one of the most frequently noted examples of the importance of ecological adaptation in human history.<sup>7</sup> Pastoral nomadism, the historically dominant way of life on the Inner Asian steppe, is often denigrated as primitive by outside observers. In fact, it is a sophisticated economic specialization for exploiting the land's limited resources. Horse riding nomadism is not an ancient economic form. Horse-riding cultures developed on the western Asian steppe around 900-800 B.C. and appeared on the borders of China by the 4th century B.C. In northern Mongolia it is believed that native tribes of hunters switched over to livestock raising carried out on horseback in the latter part of the first millennium A.D.<sup>8</sup>

Nowadays, the Chinese and Russian open disregard for the economic impact and intrinsic value of the Mongols' nomadic heritage is being perpetuated by Western economic experts who have been commissioned to guide Mongolia's transition to a market economy. These modern economists are versed in Soviet-style or Chinese-style command economies, which are fundamentally rooted in sedentary-agricultural economic motifs. These experts bring their experiences and theories to a Mongolia that is a far different economic entity than they have ever seen before. Conditions of nomadic life are unreal to them. As the late Joseph Fletcher wrote in his introduction to Sechin Jagchid and Paul Hyer's book, *Mongolia's Culture and Society*: "It is difficult or impossible for 20th Century people who live in industrialized agricultural societies to imagine the needs and constraints"<sup>9</sup> of the Mongols.

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<sup>6</sup> Thomas J. Barfield, *The Perilous Frontier, Nomadic Empires and China* (London: Basil Blackwell, 1989), p. 6.

<sup>7</sup> "Theoretical Considerations on the Origin of Pastoral Nomadism," in *Foundations of Empire, Archaeology and Art of the Eurasian Steppes*, Gary Seaman (ed.) (California: Ethnographics Press, University of Southern California, 1990), Vol. I, p. 26.

<sup>8</sup> Dmitriy E. Ereemeev and Irina M. Semashko, "Pastoral and Nomadic Peoples in Ethnic History," in *Foundations, op. cit.*, p. 226.

<sup>9</sup> Joseph Fletcher, "Introduction," in Sechin Jagchid and Paul Hyer (eds.), *Mongolia's Culture and Society* (Boulder, CO: Westview Press, 1979), p. xx. Owen Lattimore in his article "Mongolia as a Leading State" in *Mongolian Studies*, X, 1986-87 (Bloomington, IN), p. 14 wrote: "... one must begin with Mongolia's inherited nomadic society and economy. Western students of nomadism ought long



Their way of life is so alien to those of us from sedentary civilizations that misunderstandings and misinterpretations easily arise. Thus, the significance of nomadism to Mongolia is being overlooked today by Western economists, because they believe that integration of the extensive pastoral nomadic economy with its thin dispersion of people and the intensive concentrated agricultural economy is inevitable. Communist and free market theorists and even renowned Mongol scholars such as Owen Lattimore believe that industrialism will be the bridge between agricultural and pastoral societies.

Exposed over the decades to such negative foreign opinions, many among the Mongol intelligentsia have been convinced that there is no future for nomadism in Mongolia. Fletcher in the late 1970s observed this reaction:

While seeking to retrieve a lost heritage, the Mongols, nevertheless, have very deliberately avoided an attempt to revive a dying culture. They stress that Mongolia the nation will live, but nomadic culture cannot. The fact that social, economic, and political institutions must inevitably pass through a metamorphosis in the process of modernization has been accepted by leaders, though resisted by some common nomads.<sup>10</sup>

Today, venerable free market theories are being sold to the Mongol nation as the solution to the country's serious economic ills. Failure of key elements of such free market policy initiatives as price reforms and currency adjustments to alleviate hardship and move the Mongol economy along historically predictable paths has been attributed to inaction or ineptitude on the part of the Mongols. While such explanations are partly valid, many of these economic reforms will only bring limited results because foreign and Mongol economic planners have not considered the influence and impact of the unique features of Mongolia's *nomadic* socialist economy which invalidate some of the basic assumptions of a free market economy.

Such tenets of economic theory as wealth accumulation, the innate desire of individuals to acquire material goods, and methods of manipulating individual spending/saving habits may not hold true in Mongolia. This does not, however, mean that Mongols are "doing it

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ago to have shaken off the belief that livestock rearing is more primitive than peasant farming. In fact, nomadism is more sophisticated and technically complicated than peasant farming."

<sup>10</sup> *Op. cit.*, pp. xiii-xiv.

wrong." Rather, it indicates that the phenomenon of nomadism, layered with socialism, is not an historical relic to be ignored, but an alternate, living economic culture with its own laws and dynamics that must be further studied and understood, if true economic reform and modernization is to be successfully conducted in Mongolia.

### **Mongolia's Traditional Nomadic Economy**

First, it is necessary to carefully examine the nature of Mongolia's nomadic economy, both historically and in the present. Some researchers have maintained that the persistence of such a traditional economic style in this modern era must be geographically determined. The French Sinologist René Grousset asserted that you cannot divorce geography from history.<sup>11</sup> Soviet analysts have defined the role of physical geography in ethnic history, where history and culture function in a certain geographical environment, and view the evolution of culture as closely linked with the technosphere.<sup>12</sup> Other researchers deny the validity of geographical determinism, citing the successful march of modern political and economic institutions across the face of the globe.

Owen Lattimore, the eminent Mongolist, saw a special, integral link between environment and technical development in the case of Mongolia. In his *Inner Asian Frontiers of China*, Lattimore expressed the relationship between environment and humans as a three step process of: 1) the influence of environment on society; 2) the adjustment of society to the environment; and 3) the way in which a maturing society chooses between alternate uses of the environment in an attempt to control it.<sup>13</sup> He called the "outlaw" climate in the heart of Mongolia and Central Asia a "cleavage between environments," ruled by neither the weather systems of China nor Siberia.<sup>14</sup> This is a territory where men do not live directly off the earth's vegetation, but interpose a "special mechanism" between the land and humans. This mechanism, the secret of nomadic life, is the control of animals that can eat the sparse vegetation by men who cannot subsist on this same vegetation. It is only by human management of domestic herds and the hunting of

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<sup>11</sup> Rene Grousset, quoted by Alastair Lamb in his "Introduction," to Owen Lattimore, *Inner Asian Frontiers of China* (Hong Kong: Oxford University Press, 1989 [1940]), p. x.

<sup>12</sup> Gumilev, *People and Nature*, p. 85.

<sup>13</sup> Lattimore, p. 25.

<sup>14</sup> Lattimore, p. 23-25.



wild animals that people can provide themselves with food, clothing, tent housing, and dry dung fuel for energy. Livestock breeding is highly efficient and its need for labor--since large herds require relatively few hands--is a perfect economic form for marginal lands only sparsely settled.<sup>15</sup>

When remarking on China's expansion over the Asian land mass, it is interesting to note that Sinologists (both native and foreign) embrace geographical determinism when analyzing Chinese history by accepting--without reservation--the traditional Chinese attitude toward the outside world, which is based on geographical fundamentals often expressed in ideological terms. Thomas Barfield, in *The Perilous Frontier*, pointed out the undeniable fact that in spite of crowding within North China below the Great Wall and direct land access to Mongolian territories for many centuries, Chinese civilization has never overcome the geographical conditions of the Mongolian desert and dry steppe to establish a permanent and self-sufficient agricultural, sedentary economy there: "For more than 2,000 years the nomadic peoples of the steppe confronted the world's largest agrarian state without being politically incorporated by it or adopting its culture."<sup>16</sup> Although in the 19th Century there was some divergence from this pattern due to industrialization and adoption of modern agricultural techniques which permitted Chinese expansion into Inner Mongolia and other semi-arid border areas, up until today Mongolia proper has never been successfully agriculturalized. Geographical determinism is implicitly accepted as the explanation for the inability of the Chinese and people of the northern and western steppes to "coalesce"--a problem not faced along the same border in forested Manchuria. The same explanation holds validity when explaining the persistence of the nomadic economy in Mongolia.

Nature compels Mongol nomads to lead a cyclical migratory existence in the endless search for pasture for the herds. Nomadism is far from being a casual, free-spirited economic lifestyle. It must be a highly organized way of existence with tight structures, precise divisions of skilled labor, definite assignment of responsibilities, and recognized territorial boundaries between tribes and land use rights of separate families. Moving herds is a complex matter. Herdsmen must

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<sup>15</sup> Mongols do not utilize dogs for herding. Children and old women fulfill this function.

<sup>16</sup> Barfield, p. 2.

determine what type of livestock should follow in planned rotation over steppe lands and how long the herds can remain in one spot before breaking camp. "The very basis of Mongol society is mobility, and all aspects of nomadic livelihood--diet, dress, dwelling and so on--are conditioned by or subordinated to this mobility."<sup>17</sup> Pasture-fed animals need wide pastures, so mobile human social organization developed in this area to adapt to the economic realities of the environment.<sup>18</sup> The steppe economy's vested interest in mobility explains why even today the Mongols have inhibitions against laying up supplies of hay for winter, digging wells, and fishing. All these activities would increase general prosperity, but mean greater attachment to the locality.<sup>19</sup> Moreover, the shamanist idea incorporated into Mongolian Buddhism that disturbing nature disturbs the gods, still inhibits in the mind of the herdsman the digging of wells and irrigation ditches, plowing land, and digging mines.

The nomadic economy has certain accompanying sociological and cultural value characteristics which persist in modern Mongols of the town and countryside. Decades of herding on the steppes has imprinted a strong legacy on the Mongol soul. Mongols know well their own nomadic history of successful struggles against Chinese civilization, and from this heritage has come a feeling for the superiority of Mongol cultural values and lifestyle--a not altogether surprising type of ethnocentrism. Failure to understand or take seriously traditional Mongol economic and political values has spawned such flawed commentary from American analysts as "Although Mongols have been called reluctant Communists, they have no alternative ideology."<sup>20</sup> Such views merely reflect ignorance of the Mongols' traditional way of life and division of labor.

With modernization and industrialization, Mongols commonly have been criticized for a relaxed attitude toward time and work. It is true that Mongols come from a tradition that is free of clock-watching--yet a nomad has a much deeper understanding of daily and seasonal climatic changes than does a sedentary person. This sensitivity remains strong in the breast of the city dweller, so it may be years before the

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<sup>17</sup> Jagchid and Hyer, p. 56.

<sup>18</sup> Lattimore, p. 63. This is a functional explanation of steppe economy, which explains the interaction of society and technique.

<sup>19</sup> Owen Lattimore, *The Geographic Factor in Mongol History*, 1938, p. 550, note 27.

<sup>20</sup> *Handbook*, p. 195.



mindset that attaches importance to punctuality and precise scheduling is inculcated among Mongols. As those foreigners who live in Mongolia know, "tomorrow" for a Mongol is an indefinite term for the future.

In general, Mongols react negatively to systematized work with regular hours. This dislike of regimen and set hours is frequently interpreted by outsiders as laziness.<sup>21</sup> Since the era of light industrialization (beginning in 1950), there has been widespread criticism of mismanagement and lost man-hours due to Mongol idleness and absenteeism. Evidence suggests that Mongols perform factory work more out of fear of reprisals than out of a commonly accepted work ethic or for positive incentives. In the socialist period punishments for violating work regulations ranged from a simple reprimand to months in labor camps and reduction in pay. Homesickness for the steppe remains a major factor behind absenteeism. Paying workers by the piece and obligatory technical instruction were also instituted in reaction to the challenge of managing the transition for Mongols from nomadic to industrial working behavior.<sup>22</sup> Present day foreign joint ventures and privately-held Mongol enterprises continue to face the same entrenched work attitudes, without the right to employ the full range of negative incentives from the days of communism. Finding an acceptable method of modifying the Mongolian culturally-derived work ethic to meet urban and industrial needs is a problem still to be solved.

The primary social values of pre-Revolutionary Mongolia derived from concepts such as the natural superiority of the nobility and the inferiority of the commoners, and the superiority of strong males over nurturing females. The traditional value system's authoritarianism grew out of livestock-raising conditions and fear of the strong raiding the weak within the nomadic economy. The cruelties of the unrelenting environment produced a stoical fatalism which pervades the Mongol mind even today. Mongols dislike specified tasks performed at pre-determined times day after day. Generations were raised in a pastoral work environment featuring periods of intense activity, followed by much downtime watching animals. The "common good" became a strong value, derived from working in a subsistence nomadic economy, where survival depended on cooperation between family and tribal members. All Mongols remain close to their herdsman roots. As late

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<sup>21</sup> The comment has been made that it takes three to four Mongols to do the work of one Westerner. See *Handbook*, p. 123.

<sup>22</sup> *Handbook*, p. 347.

as 1968, two-thirds of the population were still engaged in animal herding and, until rather recently, industrial labor was scorned by Mongols. Service occupations, artisanry, trade and money-lending were performed in pre-Revolutionary times by the Chinese and after 1921 by Soviets and Eastern Europeans.

Another factor dominating Mongolian sensibilities is the Inner Asian respect for the importance of the horse. Even among urban dwellers, there is a strong psychological tie to the horse. Horse milk liquor is the highly valued embodiment of Mongolian culture. The man on horseback is the very symbol of steppe nomadism and the metaphor for political power, despite the undeniably greater economic importance of sheep in the region. The mystique of the horse is captured in Mongolian oral histories, while there are no great sheep epics in traditional literature. This fascination with horses was exemplified by the 1992 adoption of a running horse as the new official emblem of the country, replacing the communist emblem of a Mongol man astride a galloping horse.

Mongols have their own tradition of labor manpower usage with unique economic and social consequences. With harsh weather conditions and relatively little incentive to take time to build permanent animal shelters (since the nomad is only temporarily in any one area),<sup>23</sup> the main way to increase herd output is by special, highly labor-intensive care of newborn animals. Nomadic families are short of labor--particularly in modern Mongolia, where almost one half of the population is concentrated in a few urban areas--and so not readily available as labor supply to the traditional economy. Mongols share with other Inner Asian pastoralists principles of organization alien to sedentary societies. Extended family units normally pasture together. Herding camps are focused around family groups of four to eight families. The size of a herd is limited to about a maximum of 1,000 sheep (grazed as a unit because the pasture rarely can support larger numbers without supplementary fodder, which is not available). Cooperatively herded animals and cooperative milking or felt making by women is still the norm. Before collectivization, cooperation among the herders was voluntary, and animals could be removed at will by the owners. Individual ownership of animals is a Mongol tradition that has

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<sup>23</sup> Building permanent animal shelters requires demands on labor and proprietorial claims to land and immovable property which are difficult to justify in nomadic communities.



been successfully revived in the past few years because it has historical roots in nomadic society.

Nomads attempt to maintain as many *live animals* as possible, for in the event of disasters such as cold, drought or disease, the herdsman with more animals could recover more quickly.<sup>24</sup> The emphasis in each camp is maximizing quantity rather than quality, "subject to strong social preferences for a normal labor expenditure pattern,"<sup>25</sup> with its high amount of built-in downtime. It is not really helpful for economists to call this downtime, leisure. In Mongolia all five domestic animals--cow, sheep, horse, goat, and camel--are milked. Daily milking is required whether this milk ends up being sold in a private market for city consumption or in the stomachs of nomads' children. Leisure time for a nomad is a very relative term that does not contribute to a good understanding of traditional economic patterns.

Because men were seen as valuable commodities in time of war or great hunts or later as religious, traditionally they had fewer everyday economic chores than women. Foreigners in the 19th and 20th centuries often perceived this fact as exemplifying the laziness of men. Such thinking, however, reflects a poor grasp of the dynamics of Mongol economy and society. Whether in urban or nomad families, it is true that the activities of women are traditionally heavier than those of men. Women have significant economic duties (i.e., milking, watching the herds, working in factories and schools), and are responsible for cooking, child care, and housework. With all these responsibilities also come more authority and autonomy than experienced by women in traditional sedentary societies, such as China. The historic role of women as workers in the traditional herding economy also aided the smooth transition of women into the factory labor force.

Mongolian pastoral steppe nomadism is categorically different from and hostile to sedentary, irrigated, agricultural life. Stored grain as capital in agricultural societies promotes political change and evolution, and spreads into contiguous regions. Herds belonging to nomads, however, can only accumulate to a certain size before mortality (because of limited pasture) offsets greater breeding. Even the world view of nomads and peasants is diametrically different. Spring, so welcome to farmers is viewed as a dangerous, unpleasant season for grazing

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<sup>24</sup> Barfield, p. 23.

<sup>25</sup> George Murphy, *Soviet Mongolia: A Study of the Oldest Political Satellite* (Berkeley: University of California Press, 1966), p. 56.

animals due to dry grass, snow, and dusty winds. Still, Mongolia never was a closed nomadic world cut off from agricultural centers. Historically and today, its pastoral life is not totally self-contained and independent.<sup>26</sup> Despite recurrent antagonism, there is a symbiotic relationship between the nomadic economy and that of settled peoples, so that accumulated surpluses of meat, wool, and hides may be disposed of and luxuries bought by trade.

Working in outdoor herding emphasizes primary loyalty to the immediate herding group, family, and collective unit, and only vague loyalty to the "State." Nomadism puts the group ahead of the individual: "Social cooperation, whether voluntary or legally enforced, is the keystone of both nomadic and socialist-Communist societies."<sup>27</sup> Political loyalty to a patron or leader in traditional Mongolian society was smoothly transferable to the communist era's value system, particularly as regards the authoritarian relationships required in a communist structure. Concepts such as popular sovereignty, political freedom, and majority rule never had a place in Mongolia past or present. The challenge for Mongolia today in the era of democratization, will be to break this psychological mindset to encourage personal initiative.

A crucial point to remember about nomadic psychology, which is very different from the mindset of most agricultural societies, is that physical freedom on the steppe is highly valued as a reflection of social status. Social mobility was possible during the Mongol Empire and pre-Revolutionary times, but less valued because of the importance of heredity in nomadic life. During the socialist era of the 20th Century, communism restricted the Mongols' physical mobility, but opened the safety valve of social mobility through party membership and education. In this new period of free market reforms the Party and Marxist education have both been discredited, but no new "system of mobility" has been validated.

For Mongolian nomads social release sprang from love of drink and food, hospitality, and music. The Mongols' diet is unique and distinct from the diet of agricultural people. Meat and mare's milk are

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<sup>26</sup> This point remains disputed. See Eremeev and Semashko, "Pastoral and Nomadic Peoples," *Foundations*, p. 223 where they divide animal husbandry into two main types: pastoral and nomadic. They claim that the pastoral is characterized by co-existence with agricultural economies while the nomadic type contains almost no sedentary elements and no connection with an agricultural economy.

<sup>27</sup> *Handbook*, p. 180. For further discussion, see pp. 177-180.



staples, fish is not eaten (because of religious prohibitions), and vegetables and grains, which are native to the harsh environment, are basically an urban dweller's supplement introduced by the Soviets.<sup>28</sup> Many Mongols still regard vegetables as the same as grass--fit only for animals. To cope with the rigorously cold climate, Mongols consume a high proportion of animal fat and alcohol. While such a diet may cause certain health problems, there is evidence that this diet is the most natural and suitable one for the Mongolian climate. To import a diet similar to Western or Asian agricultural nations is not only unfeasible, but ridiculous.

Because the nomadic life is a lonely one, the average Mongol interacts mainly with his own family. He appears reticent and even expressionless in crowds and political demonstrations. Not emotive, except when singing or drinking, this lack of reactive behavior is mistaken for dullness or lack of enthusiasm. The Mongols are, in fact, emotional, judgmental, and introspective people--often very different in behavior and attitude from other Asians. They possess a frankness which can be rude by Western not to mention Eastern standards, so one soon knows where one stands. Such personality traits emanate from a nomadic lifestyle far different from the crowded agricultural conditions of Mongolia's Asian neighbors. At a crossroads of cultures and lifestyles in Inner Asia, Mongols exhibit both Western and Eastern behavior, and at times are just uniquely Mongolian.

Personal mobility and the portability of shelter and household goods which epitomize economic survival for nomads have engendered a unique sense of land-holding in Mongolia. Traditionally, there is little competition among Mongols for territory, although great concern for usage rights--traits characteristic to migrating societies. For nomads time and space are intertwined aspects of ownership. Exclusive land ownership as known in agricultural societies had no intrinsic value. No single pasture has any value because it cannot be grazed continuously. "The right to move prevailed over the right to camp."<sup>29</sup> Thus, there is usually no extreme competition or conflict over resources.

In feudal times, title to territories historically belonged to a tribe, not a chief or prince holding individual property in land, but the

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<sup>28</sup> There is a Mongol saying: "Grass is for the animals and meat is the food for man, and if you eat grass (vegetables), you will not have a strong body." See Jachid and Hyer, p. 45.

<sup>29</sup> Lattimore, p. 66. Lattimore believes "ownership" means the title to a cycle of migration.

common practice was that a noble administered the territory by allotting land usage rights to different families. This resulted in noble families having no outright ownership, but rather the direct use of the best pastures. They could also exact services and tribute from non-noble families for usage of poorer pasture. In the communist era, the party leader took the place of the local noble as land allocator. Otherwise the formula of no individual ownership of land and acceptance of a strong leader allotting pasture according to political/social position followed traditional nomadic economic patterns.

This lack of strong interest in owning land is vastly different from the attitude of nearly every sedentary society. One of the basic tenets of the free market system is the emphasis on freedom to buy and sell immovable property. Western economists, schooled in agricultural or "landfast" societies,<sup>30</sup> never question the premise that all societies naturally share the basic desire for property ownership, which can be unleashed as a strong motivating economic force. However, in a society such as Mongolia's, strong desire for land ownership is not a given nor even a desirable goal worth saving or sacrificing for.

To substantiate this premise, one need only to look at the three year history of Mongolia's privatization efforts. State enterprises have been sold to private stockholders and a stock market established, but as of mid-1993 privatization of personal property including land and homes has not been implemented. From the beginning of the democratization movement in the late 1980s, land ownership has not been a rallying cry for opponents of the Government's socialist policies. It is an issue which does not excite the interest of the average Mongol. Thus for western economic advisers to just presume a strong desire for land ownership among urban and country dwellers when talking about developing Mongolia's economy only creates a false base on which to pin the nation's economic development.

From ancient times the Mongolian economy has depended on the herding of animals--a type of economic activity properly called animal husbandry. It is confusing and misleading for economists to describe their specialized economy as "agriculture," as is often done in modern analyses. Use of the word "agriculture" comes with its own host of assumptions and value judgments, which only cloud our understanding of Mongolia's economic system. Mongolian weather features great aridity. There is less than 10-15 inches of rainfall a year.

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<sup>30</sup> Lattimore, p. 409.



In the Gobi, which is one-third of Mongolia's land mass, there are only 3-5 inches of rain each year. The steppe growing season is only 90 days long, with one crop annually. Even with increasing yields due to modern agricultural techniques, agriculture is a tenuous occupation at best. The land has short summers and long, cold winters lasting seven months. Prevailing patterns of wind and moisture are not conducive to agriculture, so development of true agriculture has been slow.

Prior to 1921, farming was done by several thousand Chinese, Turks, and a few Russians, but not by Mongols. Eighty-four percent of Mongolia's 507,000 square miles of land is suitable for pasturage. One quarter of this pasturage is of high quality grasses. Only about 0.5% of the nation's total land area, estimated at 1,190,000 acres, is arable or suitable for agriculture. Irrigated land only provides a small addition to these figures. Without putting a bubble over the landscape, it is unrealistic for Mongolia to look towards true agriculture as a major, viable source of food and employment. In addition, extensive experience in Mongolia demonstrates that livestock raising cannot be further promoted without the introduction of agriculture to provide fodder. The stability of livestock winter feed supply is essential, yet feed grain is rare in Mongolia.

Despite these climatic drawbacks and historical experience, Western experts at the International Monetary Fund and in the United States Government, for example, persist in seeing agricultural promotion as the appropriate path for Mongolia: "A clear but indirect social effect, highly beneficial from the standpoint of the government will be the elimination of nomadism and its replacement by the settled way of life characteristic of farming."<sup>31</sup>

This pre-disposition of westerners towards agriculturizing Mongolia can be seen in the writings of such Mongol specialists as George Murphy, who criticized Manchu Chinese economic policies of the 17-19th centuries as being deliberately isolationist. He suggested the Manchu Government in Beijing ran Mongolia like a great reservation, ". . . paralyzing the Mongols psychologically by preventing them from controlling their own lives and by shielding them from change."<sup>32</sup> Of course, this change Murphy is assuming is movement toward a settled, agricultural/industrial lifestyle. He blames Chinese colonists of the period for displacing a native agricultural base and traditional Mongol

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<sup>31</sup> *Handbook*, p. 308.

<sup>32</sup> Murphy, p. 30.

craftsmen, and thus forcing Mongols to concentrate on stock raising.<sup>33</sup> Such analysis is illustrative of the widely held modern economic concept assuming the inevitability of one economic development process in the world. This concept does not consider Mongolian environmental realities and is condescending towards nomadic economic institutions. Murphy further revealed his bias when he wrote that because the nomadic life is subject to great natural calamities such as intense cold and drought, it breeds resignation, indifference and passivity in the Mongols.<sup>34</sup> One is left with the implication that if the Mongols eliminate nomadism, they will not only improve their economic lifestyle, but also their character!

There is an unspoken assumption among 20th century economists that Mongol nomads can be made into ranchers. Even Lattimore (1940) accepted this idealized version of Mongolian economic life when he proclaimed that the country had instituted a new form of social control to "splice together the productive resources of the old pastoral economy and the processing functions of a new industrialism created to serve it. Mobility is no longer sovereign; the economy remains basically pastoral but the society need no longer be nomadic."<sup>35</sup>

A move to ranching--i.e to sedentary pastoralism--cannot be supported by the Mongolian environment with its sparse vegetation requiring frequent moves and long distances between herding camps. Mongolia's traditional nomadic economy is attuned to living in a harsh land where sedentary life without outside support systems is impossible. Mongolian pastoralists are not like dairy farmers and cowboy/shepherds. "When raising livestock is an occupation speciality firmly embedded in the surrounding sedentary culture, no separate society of pastoralists ever comes into existence."<sup>36</sup> Nomadism can only be abandoned if Mongol herdsmen move from grazing cattle to fodder-fed stock. The overwhelming (and unanswerable) question then

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<sup>33</sup> Maiskii, in *Sovremennaiia Mongoliia* (Irkutsk: 1921), p. 108, said about 75% of the 100,000 Chinese in Mongolia were traders. Five thousand were farmers, and 15,000 were artisans. In the opinion of Tsarist and Bolshevik explorers and scholars who visited Mongolia in the early 20th century, the Chinese traders ruthlessly exploited the Mongols.

<sup>34</sup> Murphy, p. 33.

<sup>35</sup> Lattimore, p. 68. He suggests storage of hay and opening unused pastures by digging wells.

<sup>36</sup> Barfield, p. 20.



becomes how can sufficient fodder be grown in a climate so hostile to normal agriculture?

In the 1990s, western economists advising Mongolia must understand that Mongolia's nomadic stockraising economy is not unsuccessful when fairly analyzed. Although the per capita income may be low, scholars such as Lattimore have shown that Mongols are better off than many agricultural peoples. In the past, while the nomadic economy did limit their standard of living, Mongols could favorably compare their life to that of neighboring Russians and Chinese, and so they chose to continue nomadizing. Murphy called this Mongolian predilection towards nomadism a "high willingness to live in a society of stable poverty,"<sup>37</sup> but he failed to comprehend that the nomad could usually feed himself though his own herds or on horseback through raiding others, while peasants were tied to the soil and more susceptible to starvation. The question then may be asked, if nomadism is a more successful economic lifestyle, why have sedentary communities not adopted it? The answer seems to lie in the inherent difficulties associated with this economic form--long periods of isolation, large investment in herds and inventory, marginal material wealth, and constant exposure to the elements. But the real wonder to the majority of the sedentary world is that the Mongols still cherish and voluntarily perpetuate their nomadic culture. For the outside world it is nearly impossible to accept that the Mongol people want to retain their nomadic life and not become settled, urbanized, and industrialized.

The continuing theme that runs through the literature of explorers and scholars of Mongolia (both in the past and today, yet is not noticed by today's free market economists), is the Mongols' strong attachment to their traditional herding techniques and nomadic way of life. It is important to realize that in the socialist period low-income Mongols did not move to the cities to adopt a more *comfortable* sedentary life. This migration was spurred by the fact that the educational system was centralized in urban areas, reviving the pattern

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<sup>37</sup> Murphy, *Soviet Mongolia*, p. 69. Murphy believes that poverty is linked by settled peoples to food, possessions, and landholding. Nomads can meet their food needs adequately, but their mobility precludes a high number of possessions and does not allow for land ownership. Thus, sedentary people judge them as being "poor." In traditional Mongol society, wealth was determined by quantity and type of animals and amount of personal ornaments. With such different standards towards wealth, when foreigners call Mongols "poor," they are really expressing a value judgment more than a verifiable fact.

seen in monasteries during pre-revolutionary times. Children sent to cities for education could find work only in the communist bureaucracy or state-run enterprises surrounding the cities, and over time developed a taste for a modified sedentary lifestyle. The less educated and less politically-connected nomads chose to remain in the traditional economy rather than to take unskilled city jobs.

### **Traditional Attitudes Towards Trade and Commerce**

Domestic trade within Mongolia has always been limited. Animal by-products from the herds were traditionally used for barter and exchanged for the commodities of sedentary peoples. While such trading was significant, raiding and pillaging at times were perhaps more important as a source of necessities. This is one reason why settled peoples feared and loathed the nomads of the world. We think: Nomads don't trade, they raid!<sup>38</sup> In Mongolian history, there has been the practice of steppe rulers drawing foreign traders into the Mongolian plateau itself, building permanent cities, importing foreigners to be farmers, and settling these foreigners in oasis-like tracts that permitted agriculture.<sup>39</sup> The Mongol political establishment acquired the tastes of the sedentary world and became cut off from the nomad majority. The two societies existed side by side but did not evolve into a stable, mixed culture. When the political establishment was overturned, the population returned to its nomadic origins until the rise of a new political center permitted repetition of the same process.

The Mongols had commercial relations with the Chinese agricultural peoples south of the Great Wall, Central Asians, Persians, Russians, and Western Asian Arabs. In Mongol history, as power ebbed and flowed across the steppe, favorable trading terms followed suit. The Chinese tried embargoes and economic strangulation to control the militant Mongols, but such actions only heightened border raids. Border markets were first established in the Han Dynasty by Emperor Wu (140-87 B.C.). Although economically successful, in the end these border markets produced a legacy of mistrust and bloodshed which still haunts Sino-Mongol relations.

It is crucial to point out that, unlike almost all other societies, no matter how rudimentary, Mongol society did not naturally develop

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<sup>38</sup> Jagchid and Hyer have called the Mongolian nomads the militant "have-nots" of the pre-modern world. *Mongolia's Culture*, p. 299.

<sup>39</sup> Lattimore, *Geographical Factor*, p. 519.



trade markets until permanent religious establishments came into existence, and there was no creation of an *indigenous* merchant class. Trade was in the hands of tribal leaders who engaged foreigners to conduct mercantile activity.<sup>40</sup> This pattern is consistent throughout Mongol history. In the period of Chinggis Khan, Central Asians and Westerners acted as Mongol trade agents. In the Manchu period, trade was under the control of notorious Chinese itinerant traders.<sup>41</sup> The extreme poverty of Mongolia in the 19th century has been blamed in large measure on the exploitative structure of Chinese-managed trade. In the recent socialist epoch, commerce was dominated by Soviet and Eastern European trade monopolies. A state monopoly on foreign trade, under the control of Soviet advisers, was established as early as December 1930.

Native trade in the hands of Mongols was never regular nor institutionalized. The Manchu pattern of letting foreign traders go out to Mongol encampments with their goods instead of encouraging the nomads to go to open border markets was perpetuated (at Soviet insistence) by the Mongol Government at Soviet insistence. Up until the recent past, even large Mongol governmental trade organizations such as Mongolimpex were more brokers than traders. Commercial decisions within these organizations often took a back seat to Politburo decisions and direct Soviet interference. Only now are Mongol officials willing to relate stories of export prices for minerals and other resources being set as a result of phone calls from Moscow pressuring high-ranking Mongol leaders to lower the prices far below world market value to show appreciation for Soviet assistance.

Trade during the last several centuries has come to be viewed by Mongols not as a way to build wealth, but as the instrument for their exploitation. During the Manchu period, the Chinese traders lent Mongol princes money at high interest rates to be repaid by onerous levies on the common people. Because of the great inflow of foreign capital, many Mongols were seriously indebted to foreign traders. Mongol

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<sup>40</sup> Chinese records sometimes use the term *mao-i-jen* for Mongol traders, as Jagchid and Hyer have pointed out. Therefore, there is some indication that native Mongol traders did exist, but in records of Western explorers and traders in the early 20th century, their role certainly was minimal.

<sup>41</sup> George Murphy, in *Soviet Mongolia*, disputes this general view of the role of the Chinese trader in Manchu times. However, his arguments seem an attempt to denigrate first-hand Western (particularly Russian Bolshevik) accounts of the late 19th and early 20th centuries.

nobles mortgaged their future livestock output and herds for immediate consumption of luxuries. They were illustrating the traditional nomadic disregard for saving. Although the Mongols greatly depended on trade for tea, tobacco, silks, and grains, they despised Chinese merchants as liars and cheaters.<sup>42</sup> The so-called "China Problem" on the eve of the 1921 Mongolian revolution was a problem arising from the damaging policies of Chinese trading institutions. This type of exploitation caused Mongols to develop strong negative attitudes towards commerce in general. Adding to these negative feelings was the impression that trade with China also meant political influence leading to assimilation--a result odious and frightening to all Mongols.

With the collapse of the Soviet Union and the CMEA trade system, many Mongols have re-examined the past decades of Soviet assistance and loans (which were tied to trade terms). Newly released information on how Mongolia built up its large foreign debt to the former Soviet Union has caused Mongols to again feel they were exploited in foreign trade. There is no doubt that inflated or undervalued barter trade terms predominated throughout the CMEA system, which explains why Mongols have a poor understanding of the market value of their export products. In the face of great naiveté which has already spawned major mistakes in commercial transactions since the collapse of the old communist trading system, there is a genuine concern about how the Mongol leadership can manage foreign trade so as to aid the country's economic development. This is one reason why the present governmental authorities are so hesitant to put substance into new foreign trade regulations, and have been reluctant to take the initiative to move from barter purchase to cash payment for Mongolian minerals and other natural resources. Mongolia's foreign economic relations are now governed by a foreign investment law approved March 23, 1990 and revised effective July 1, 1993. This law prioritizes investment in export-oriented or import-substituting production, development of basic economic infrastructure, and development of the tourism industry. The spirit and implementation of this law is still severely limited by traditional economic views, centuries of negative commercial experience, and ignorance of the mechanisms of the world marketplace.

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<sup>42</sup> See Jagchid and Hyer's discussion in *Mongolia's Culture*, p. 304, on the Mongol terms for merchant. Owen Lattimore in *Inner Asian Frontiers*, p. 92 says that twenty-five Chinese firms were active in pre-revolutionary Mongolia. They sold Mongols personal goods in exchange for animal by-products.



Since barter trade was the main form of exchange among the nomads, the development of a money economy came late to Mongolia. The Mongols did not have their own national currency, the *tugrik*, until 1925. Mongols traditionally distrust paper money, preferring silver or commodity goods as currency. When the first bank was established in 1924, direct barter was employed or goods were used as the medium of exchange (bricks of tea, sheep, goats, salt, all serving as commodity-moneys) and exchanged for foreign silver dollars. "Outer Mongolia did not possess a developed monetary and banking system prior to 1924 primarily because the Mongolian economy based upon nomadic stock raising was not drastically disturbed by its absence."<sup>43</sup> Currency within a nomadic economy only serves very limited functions. Wealth accumulation is held in livestock, which is exchanged only when necessary for food or luxuries. Livestock represents wealth and was (and often still is) the medium of exchange in the countryside. Migratory nomadic life by definition means having few material possessions to cart around, so Mongols are not consumer goods-oriented. Money becomes just another one of their possessions, and its value to the nomad on the steppe is only marginal, since the herdsman can feed, clothe, and house himself from his herds. According to traditional Mongolian mentality, since real wealth was measured in livestock, mere money was to be spent quickly, even frivolously. The value of heads of livestock was obvious and easily measured. However, the value of money to the nomad fluctuated greatly according to place, time and commodity--thus the incentive to immediately spend it. The Communist Government established the monetary economy not for the nomad majority, but to benefit the small urban proletariat and government bureaucracy.<sup>44</sup>

In today's economic climate in Mongolia, the herdsman is still a major holder of economic power because he is the source of the food supply. There is little incentive within the economy to encourage him to turn his animal wealth into cash. Cash can be used to purchase rice, tea, clothes, and sweets, but in the countryside bartering also serves just as well. The migratory form of economic subsistence is immediate-consumption oriented. Goods are consumed only as needed. There is no motivation to accumulate food, material possessions or money for their own sake, other than as displays of status. On the other hand,

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<sup>43</sup> *Handbook*, p. 387.

<sup>44</sup> *Handbook*, *loc. cit.*

nomadic animal wealth is mobile and is a convenient form of savings. Mongols are not under any pressure to sell young animals for slaughter, as cattlemen in the West are. Mongols greatly prefer eating mature animals. If there is no justifiable need to sell livestock for cash, the herdsman can wait for months or years, since the value of the animals in the domestic marketplace does not deteriorate with age.

Another factor degrading the importance of money in Mongolia was that the salary range of sedentary workers during the communist era was not great. The most highly rewarded Mongols received only three times the pay of the least skilled workers. Position and power were reflected in more favorable benefits rather than in salary. The pay differential was less than in any non-communist country of Asia. The traditional lack of interest in acquiring consumer goods and luxuries even by urban Mongols, is unique to this economy.<sup>45</sup> In the past, all money lenders were considered usurious and evil.<sup>46</sup> Mongols still believe it is intrinsically dishonorable to lend money on a personal basis and then charge interest. Reformers of Mongolia's banking system must now recognize that this attitude towards lending is not a product of communist indoctrination, but rather the consequence of centuries of experience dealing with foreign merchants.

The above-mentioned beliefs reflect the sociological and cultural realities impacting Mongolia's present-day economy, and are values many urbanized Mongols continue to hold. Western economists planning Mongolia's transition to the market economy fail to recognize or understand these different economic and cultural inputs, and so are providing poor policy guidance that does not effectively promote reform within the country's economy. Foreign experts must step back and examine what factors they believe are givens of economic behavior to see if such factors really can be found within Mongol culture. For example, economists instinctively assume that all human beings wish to accumulate more money and that money in the form of currency is a prized entity for its own sake. This assumption derives from the concept that money has a useful purpose. The usefulness of money in a nomadic economy is, however, quite limited, and thus acquisition of money is not the motivating economic force it represents in sedentary

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<sup>45</sup> *Handbook*, p. 120. It must be noted that the range of luxury goods presented to urban Mongols is very minimal.

<sup>46</sup> Even as early as the Mongol Empire period in the 13th Century, Uighur Turk moneylenders, called *ortog*, were given slang names like "sweatsilver" and "money without sons." See Jagchid and Hyer, *Mongolia's Culture*, p. 309.



societies. This is an example of a commonly held economic value judgment not automatically applicable to nomad peoples.

Therefore, the usefulness to Mongolia of many free market-derived price reform and supply and demand theorems may legitimately be questioned. For example, if high monetary wages alone could motivate Mongols to make certain economic decisions, then poor Mongols and not the predominantly poor Kazakhs would have been attracted to the highly paid mining industry for the past forty years, and yet the reverse is the case. Religious taboos associated with mining and the relative unimportance of money for Mongol herdsmen who might otherwise be attracted to mining work are cultural inputs which override economic considerations.

### **The Nomadic Economy Under Buddhism and Socialism**

If the traditional economy of pastoral nomadism is so unique, how then can we account for the rise of sedentary, urban centers in Mongolia and the explosive growth in the urban population since World War II? Fixed settlements developed in Mongolia as a direct result of the conversion of the Mongols to Tibetan-style Buddhism (also called Lamaism) with the concomitant rise of its monastic network during the 16th-19th centuries A.D. By the Communist Revolution of 1921, reliable statistics place the total Lamaistic establishment as numbering about 100,000, or about one-sixth of the population, living in 800 monasteries. These monasteries presided over the largest sector of aggregate economic wealth, excluding that of the Chinese merchants.<sup>47</sup> One-eighth of all livestock, immense tracts of land, and almost complete control of foreign trade was in the hands of an ecclesiastical hierarchy led by the spiritual leader of Mongolia who held the title Jepsundamba Hutughtu or more popularly known as Bogdo Gehen. Even as late as 1929 monasteries held one-fifth of the capital assets of the country. It is clear that sedentary life and the growth of trade and permanent settlements came to Mongolia as a result of the formation of monastic centers, which in some places, such as the capital area of Ulaanbaatar, grew into real cities.<sup>48</sup>

The Western and Marxist researchers on this period view the Buddhist religious community as a parasitic economy feeding off the

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<sup>47</sup> Larry Moses and Stephen A. Halkovic, Jr., *Introduction to Mongolian History and Culture* (Bloomington: Indiana University, Uralic and Altaic Series, 1985), p. 256.

<sup>48</sup> Murphy, *Soviet Mongolia*, p. 67.

traditional nomadic economy. Much like Medieval serfs, the nomad lay believers, known as *shabi*, were attached to specific monasteries, and supplied food, drink, and other daily necessities to the lamas. Foreign traders and peddlers journeyed from monastery to monastery to sell their wares. Since many of the Mongol lamas were not celibate, *ger* (yurt) villages of their family members and prostitutes sprang up around the sites. In the 20th century a few of these monastic sites became secular urban centers.

A similar economic analytical model explains the unnatural role of the city, manned mostly by bureaucrats and administrators with some workers, within the economy of 20th century socialist Mongolia. When the great monasteries were destroyed in the religious persecutions of the 1930s, the government slowly consolidated these centers of sedentary, consumption-oriented economic activity into an administrative apparatus, dominated by the capital city, as a mirror of the Soviet Union's command economy. Today, with the revival of religion in Mongolia, it will be interesting to see how the newly revived monastic centers will compete with secular urban centers for human and economic resources. Will meat and dairy production in the nomadic economy be increased to serve these new lamaseries, or will limitations upon the growth of the animal husbandry and agriculture sector cause the diversion of food resources away from secular cities to the religious establishments, as was the pattern a century ago?

For seventy years, under the direction of Marxist Western advisers, Mongolia sought solutions to its economic development problems in plans derived from and inspired by the Soviet Union. Mongol leaders mechanically transferred command economy structures to Mongolia, regardless of their utility for Mongolia's small economy whose basic problems were far different from those of the large diverse Soviet economy. The failed 1929-1932 forced collectivization drive, known as the "Leftist Deviation," has been explained as Mongolia's slavish adoption of the Soviet solution to its own "nomadic problem." After the Bolshevik Revolution, the Soviet Government also had many nomadic populations, distributed on its southern borders in central Asia and in its north Arctic coastal zones, to integrate into their emerging political and economic system. "The Soviet authorities failed to recognize that the settlement and collectivization of the nomads constituted a problem distinct from the peasant problem."<sup>49</sup> The Resolution

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<sup>49</sup> Murphy, *Soviet Mongolia*, p. 118.



of the Central Committee of the All-Union Party [Bolshevik] on May 27, 1929, called for the settling of nomadic peoples. This directive authorized peasant-style forced collectivization for nomads, in an effort to force nomads to accept settled life in permanent communities. These heavy-handed methods provoked violent reactions among the Soviet Far East nomads in the form of destruction of herds, but in the main collectivization was successful.

The position of nomads, who represented 90% of the non-religious establishment population in Mongolia in 1929, was similar to that of the herdsmen of the more remote nomadic lands of the Soviet Union, such as Buriat Mongolia and the Far North. Mongolia embraced the same economic planning ideas regarding the destruction of nomadism promoted by Soviet experts of those times, and the results were even more disastrous.

In 1929, the eighth Party Congress of the Mongolian People's Revolutionary Party (MPRP) implemented policies of forced collectivization of herds, confiscation of noble and religious property and transfer of all domestic and internal trade from the Chinese and non-Marxist Westerners into the hands of Soviets and the Mongolian Government. Not only did the nomads resist forced collectivization by destroying seven million head of their herds, but the countryside was in open armed rebellion before the measures were repealed. In the 1950s, gradual collectivization of the nomads was reintroduced with more successful results, but traditional migratory life was permitted to continue within collective economic units.

Under the former communist system three classes developed--*arat* herdsmen, urban workers, and bureaucratic intelligentsia.<sup>50</sup> The third group, which formed the political apparatus, became a new elite of Mongols with higher wages and real power, who benefited from governmental favors. Their high economic and social status made them the chief beneficiaries of the socialist system, and they had a strong vested interest in the continuance of the regime in power. Gradually, they formed a new state administrative structure that grew increasingly divorced from the traditional economy.<sup>51</sup>

This intelligentsia/bureaucrat class is larger than the urban worker class. The style of life and culture that evolved in Mongol cities bore a Soviet flavor and influenced the values and goals of the urban

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<sup>50</sup> *Handbook*, p. 74.

<sup>51</sup> Murphy, *Soviet Mongolia*, p. 205.

inhabitants. Meanwhile, the countryside has remained nomadic, under-educated, and poor. This alienation of the urbanized, educated Mongol elite staffing Ulaanbaatar's bureaucracy can be illustrated by a 1992 conversation with the writer wherein a Mongol official noted that she felt more comfortable with Russians and other foreigners than with her own nomadic countrymen. This large class of intelligentsia represents a destabilizing element in the new free market economy because many Mongolians, like people of other former Socialist countries, received an education that does not really correspond to the nation's present economic needs. With the closing of state-supported unprofitable factories and enterprises, discontent and unrest are rising among the educated, displaced bureaucrats and workers.

Soviet and Western analysts have reported that the old religious and feudal class structure of pre-Revolutionary Mongolia has been replaced by occupational class structures. They point to the fact that on Lenin's advice Mongolian governmental policy since the 1920s has emphasized development of a worker's proletariat through cooperatives. This policy was effectuated in state-run industries since the 1950s. Urban workers in such industries were favored with many rights and benefits, including housing, medical care, paid vacations, kindergartens and daycare schools. In coal mines free rations of meat and fermented horse milk, *airag*, were provided. Foreign researchers saw the Mongol state apparatus as more dominant than the family "for the state rather than the family has become the central architect of the individual's social milieu."<sup>52</sup> The image of herdsmen was viewed as an unflattering reflection of tradition and conservatism. Urban workers were deemed more progressive.

Throughout the 20th century, foreign economists of all philosophical persuasions have consistently seen industrialization as a desirable goal for Mongolia. Recent IMF and World Bank country assessments on Mongolia continue to recommend this form of policy planning. Serious attempts at industrialization began in 1954 with large scale Soviet aid projects. Construction of new industrial cities such as Darkhan and Choibalsan in the north of the country, which are mining and heavy industrial centers, was considered a major advance in the transition process for Mongolia to move from a rural animal-breeding economy to an agro-industrial economy. However, it appears that these analysts mistook semi-industrial attempts of the late 1950s

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<sup>52</sup> *Handbook*, p. 91.



through 1970s as the successful preparation to full industrialization. It is true that the slow development of Mongolia's own industrial work force did engender changes in social attitudes. Expansion of literacy, education, use of money, and cultural activities brought some 20th century attitudes and amenities into the nomadic encampment and started a conditioning process basic to future economic development. Since domestic internal availability and assortment of all consumer goods was determined by the typical socialist government planning process, the process was successful in diversifying the economy from nomadism, but also overburdened the fragile system with additional layers of bureaucracy.<sup>53</sup>

Mongol scholars Moses and Halkovic have rightly pointed out that the:

. . . key to the Mongol success in modernization was simply that in extremely bad years . . . the bulk of the population, and the economy itself, could survive by the expedient of falling back on their domestic animals, to their traditional subsistence base for sustenance.<sup>54</sup>

This is the situation Mongolia is in today with its collapsed command economy not effectively replaced by a working free market system that can provide all the population's necessities, particularly in winter. In the socialist period and during this period of restructuring, industrialization can be delayed since the traditional economy sustains the people through the hard times. Therefore, it is fortunate that the forgotten and abused nomadic economic base has survived and retained its vitality.

The movement to "return to traditional Mongol values" is testimonial to the rise in importance of the extended family and downgrading of the state in this new era of collapsing economic structures. Countryside relatives are asked to provide food for urban kin, and private companies are being formed in many instances by family members. Family relationships beyond the nuclear family are growing in significance. National ethnic and geographical divisions which were once proclaimed dead are now rising again to the surface as in other former communist nations. The voluntary migration of tens of thousands of the minority Turkic-speaking Kazakhs of western Mongolia to the newly independent state of Kazakhstan and the increasingly open alienation of the remaining Kazakhs from the Mongol majority are clear

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<sup>53</sup> *Handbook*, p. 293.

<sup>54</sup> Moses and Halkovic, *Introduction*, p. 285.

evidence of the renewed significance of blood relations in today's Mongolia.

### **Economic Advice Ill-Suited to Mongolian Society**

Since the collapse of the Soviet Union, economists schooled in the experiences of the newly independent Central Asian Republics which also have a nomadic past, have viewed Mongolia as a similar case which will respond to similar policies. Olga Naumova, in her essay on the "Evolution of Nomadic Culture Under Modern Conditions: Traditions and Innovations in Kazakh Culture,"<sup>55</sup> maintains that the example of nomadic changes in a place like Kazakhstan, such as the experiences of forced collectivization and its tragic outcome, may have parallels to Mongolia. Yet, most importantly, she notes that the crucial difference between the two regions is the impact of the great influx of Russian settlers in Kazakhstan--now outnumbering the entire Kazakh population. Since gaining independence from the Soviet Union, these Russian settlers in the main have stayed in Kazakhstan in majority numbers to form an integral part of the new nation. Mongolia's Russian and Eastern European urbanized workers never were a majority of the population and since the breakdown of the socialist system in 1990, they have returned to their homelands in great numbers. With their departure, the industrial, technical, technocratic base they provided to Mongolia has collapsed.

Another important difference between the Central Asian Newly Independent States (NIS) and Mongolia is that although the NIS nations include desert lands as harsh as the Mongolia Gobi, they also have steppe grasslands, near sea level, with mild climates that can successfully be exploited (with modern irrigation techniques) as agricultural lands. Mongolia's steppe is thousands of meters higher in elevation, and highly resistant to widespread tilling and the sedentary lifestyle of the rancher or farmer.

Mongolia is now receiving advice on how to make the transition to a market economy from a myriad of Western free market economists. A brief examination of some of the specific programs devised for Mongolia reveals that today's foreign economic planners often pro-

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<sup>55</sup> Olga B. Naumova, "Evolution of Nomadic Culture Under Modern Conditions: Traditions and Innovations in Kazakh Culture," in *Rulers from the Steppe: State Formation on the Eurasian Periphery*, Gary Seaman and Daniel Marks (eds.) (California: Ethnographics Press, The University of Southern California, 1991), Vol. 2, p. 291-307.



pound free market concepts just as ill-suited to Mongolia's nomadic herding base as those failed Marxist concepts promoted for decades by Soviet experts. For example, in 1992 USAID-funded seminars at the University of Maryland brought Mongol business and government economic leaders to the U.S. to study free market and privatization concepts to support Mongolia's economic transition. In seminar literature and lectures, the experiences of Russian and Eastern European societies, which all share a sedentary/ agricultural/ industrialized foundation were equated to those of Mongolia. Their price reform policies and liberalization measures were presented as models for emulation by Mongolia's leadership. Seminar literature indicated that the economists recognize that Mongolia's internal economic interactions are severely underdeveloped, but there is no indication that the consultant teaching the seminars understood why internal trade is so limited. Mongolia's lack of internal trade is an historical phenomenon stemming from its nomadic lifestyle, and is not just the result of distribution problems under communism. The seminar series claimed its organizational concept was to emphasize improving a country's institutions, in the context of examining national customs, but in fact no such analysis tailored to Mongolia's unique nomadic heritage was expounded during these seminars by the instructors on economics.

The seminars focused on property and contractual rights, saying property rights lead to productivity. As mentioned earlier, such value judgments hold little relevance for a country like Mongolia. Nowhere in seminar materials was Mongolia's specialized nomadic economy acknowledged. There was a passing reference to animal husbandry, more as a reflection of "Mongolia as a ranching country" mentality than as an important economic input. The American economists for this series are well-versed in the economic behavior of reforming socialist economies and some have traveled for a few days to Mongolia's capital. They drew false conclusions because Mongolian policy makers were trained in the Soviet Union and Eastern Europe, and because if Mongolia was part of the Soviet economic orbit, Mongolia's economy must basically be similar to other command-model economies.<sup>56</sup>

At one of these seminars, the Mongols told the instructor of their experience with an American-recommended policy of floating the

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<sup>56</sup> See "Mongolia: Support for Economic Transition," Project Statement, Institutional Reform and the Informal Sector (IRIS) (College Park: University of Maryland, 1992).

price of milk. The Mongol official who implemented the policy noted that after letting milk prices float for six months, the price of milk in the cities had increased nine times, but the amount of available milk had been reduced in half. These milk shortages had created widespread dissatisfaction among the urban populace and great political pressure on the government. The American economist's response was that the program was either falsely implemented--the "Mongols did it wrong" syndrome--or the policy had failed because economists had not appropriately considered the desire of the herdsmen milk producers for increased leisure time after earning more profit for less milk production. The total inappropriateness of the second theory is revealed by the fact that milk cows must be milked every day by the herdsmen, regardless of market price. The herdsmen are not leaving their daily herding activities to enjoy leisure time. The real reason for the failure of the floating prices to increase milk supply to the urban centers is that milk producers have little use for the money they received for their milk. For decades the Mongol Government has chosen to place consumer goods in the cities, not in the countryside. Furthermore, nomads are not consumption-oriented, so the items they need to purchase with their currency are very few. Moreover, they see no advantage to "saving" money for their children's education or to purchase a house and land. This is a classic example of where the people with earning power are in the countryside and have little incentive to sell their product to the urban consumers who offer an unattractive form of payment to the producers. Where was all the milk production going? It remained in the countryside where herdsmen families had ample milk available for the six months of the year they subsist solely on dairy products, or it was exchanged for necessities in small local town centers. This example of price reform policy failure is directly related to a lack of knowledge on the part of the American economic consultants about how a nomadic economy functions within a specific cultural context.

Another example of flawed economic analysis on Mongolia is found in the 1991 report on Mongolia by the International Monetary Fund.<sup>57</sup> This report is a good summary of Mongolia's recent economic situation, but it lacks societal and cultural context. It falsely presumes that prior to the imposition of the command economy, a traditional

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<sup>57</sup> Elizabeth Milne, John Leimone, Frank Rozwadowski and Padej Sukachevin, "The Mongolian People's Republic: Toward a Market Economy," Occasional Paper, No. 79 (Washington, D.C., April 1991).



market-oriented economy was in place in Mongolia. While the report mentions nomadic herding, it provides no insights on why this economic base is different from that of sedentary countries. The IMF report consistently used the term "agriculture" when referring to herding, which probably leads the reader to suppose that Mongolia's pastoral herding techniques are the same as in the dairy and cattle industries of sedentary cultures.

The importance of relying on the nomadic economy to develop industry, because industry in Mongolia is primarily derived from livestock by-products, is not mentioned in the report. This study emphasizes that price and enterprise reforms are expected to increase efficiency and government budget revenues, although these assumptions so far have not necessarily proven related to the mechanisms of a nomadic economy.<sup>58</sup> Furthermore, the IMF report did not consider the weak demand for currency in the countryside, which vitally influences national currency reform and circulation. While the IMF paper is a valuable summary document, it in no way reflects the unique quality and challenges involved in transforming Mongolia's traditional nomadic socialist economy to a free market system. Without properly identifying the real situation, it is difficult to imagine that expert advice from the IMF will be useful and effective for Mongolia.

### **Looking to Mongolia's History for Economic Strategies**

Where should Mongolia look for appropriate economic strategies tailored to its present situation? Some of the answers may be found in an examination of Mongolia's own past economic experiences to see which reform policies have succeeded because they were adapted to Mongolia's nomadic culture and society. As Mongolian leaders contemplate free market economic theories, they are able to refer to their own history for valuable lessons on how to privatize and reform their economy without repeating costly mistakes. They should beware of unquestioning adherence to Western "expert" economic advice, based just as much on flawed concepts as Soviet economic models were. The Mongolian Government recognizes that some people are losing confidence in the new privatization measures, which have not turned around the nation's economic downspin. These government leaders do not

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<sup>58</sup> Milne *et al.*, p. 31. See discussion on "The Medium-Term Path of Reform."

have the time nor the money to continue to introduce policies based on flawed economic concepts.

Possible answers for Mongolia may be found by re-examining the reform policies of Prime Minister Gendun during the period 1932-1936.<sup>59</sup> In 1932 Mongolian authorities faced the urgent problems of suppressing a domestic rebellion amongst the herdsmen in the countryside, restoring the country's devastated economy, and regaining the confidence of the people. In a special party plenum in April 1932, after three months of debate, the MPRP repudiated the left-wing forced collectivization policies of the previous two years which had driven the nation to the crisis point. The joint resolution of the Executive Committee of the Comintern and the Central Committee of the Communist Party of the Soviet Union dated May 23, 1932 also discussed the mistakes of Mongolia's forced collectivization and failed leftist measures "that were not consistent with the economic and cultural condition of the country, as a result of ignoring the special national characteristics of the country's mode of life . . . ." <sup>60</sup>

Prime Minister Gendun recognized that the Mongolian Government had lost control over local organs of power, and "that the government itself had lost all trust in the eyes of the people. Each person interpreted the law as he saw fit"<sup>61</sup>--a situation, many would argue, not much different from Mongolia today. In June 1932 a Plenary Meeting of the MPRP Central Committee laid down a "New Course," whereby

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<sup>59</sup> Charles R. Bawden, *The Modern History of Mongolia* (New York: Frederick A. Praeger, 1968), p. 296. Bawden comments that Gendun was one of the most active leftist leaders mentioned in former President J. Sambuu's autobiography. In the 1920s Gendun was Chairman of the National Small Hural. See *History of the Mongolian People's Republic*, William Brown and Urgunge Onon (trans.) (Cambridge: Harvard University Press, 1976), p. 813, note 94. For discussion of his policies from the Communist partyline point of view, see pp. 299-346 in the same volume. Gendun was a member of the Secretariat of the Central Committee and responsible for managing the campaign to expropriate property of nobles in North Khangai *aimag*.

<sup>60</sup> *History of the Mongolian People's Republic* (Moscow: Nauka, 1973), p. 333. In 1935 Gendun condemned the "mechanical transference" from the Soviet Union of higher forms of socialist organization such as communes and *artels*, which were unsuitable for the Mongolian economy. On December 24, 1934, in his lengthy report to the Seventh Great Hural, he courageously maintained that the Leftist Deviation government had conducted an erroneous state policy at odds with the peculiar needs of Mongolia. See Brown and Onon's *History* for more details on the Leftist Deviation.

<sup>61</sup> Murphy, *Soviet Mongolia*, p. 128.



the Party aimed to mobilize workers for development of private economic initiatives.<sup>62</sup> The motto of the New Course policy was "Raise high private initiative, and bring the private cattle-herding economy to a high level."<sup>63</sup> From 1932 to 1936, the Party under Gendun redirected national policy from an attack on religion and the religious to guaranteeing freedom of religious worship. Mongols were allowed to hold private property, and collectives and state farms were abolished. Government teams were dispatched to all the aimags to reorganize the work of trading organizations, taxation, financial and other local bodies.

In the face of a very weak economy, Gendun was faced with dismantling the whole collectivization program of his predecessors. This situation was not unlike Mongolia's present need to dismantle their command economy in the midst of widespread economic and institutional collapse. Gendun's government revoked collectivization regulations and used tax laws to accelerate privatization of herds and increase livestock numbers. Positive results were felt immediately. Just from 1933 to 1934, livestock numbers increased by 3.5 million head. Measures were enacted to allocate government moneys only in areas of the nomadic economy where the private sector was traditionally a small player, such as improving veterinary services, improving water and fodder supplies, and increasing animal shelters. Such reforms in economic policy development spawned cultural and educational reforms, which increased the number of schools and trained teaching staff.

Gendun's program included an industrial construction policy and training program for workers. Laws were enacted to encourage the development of voluntary associations such as craft or producers cooperatives among cottage workers. Business tax laws were amended to reduce assessments for cooperative associations and private enterprises. By 1934, there were thirty-three associations of home-industry producers with more than 1,000 members throughout the country. Gendun's project assisted lamas who left the monasteries to join these associations. A similar plan could be implemented nowadays to assist unemployed urban workers as they relocate to new private sector jobs. Gendun's policies encouraged joint ventures with the Soviet Union to stimulate new economic enterprises. To improve transportation conditions in the countryside, he emphasized road and bridge building. Such

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<sup>62</sup> *History of Mongolian People's Republic* (Nauka), p. 333.

<sup>63</sup> Bawden, *Modern History*, p. 351.

policies are models sixty years later, as Mongolia must improve the domestic road network infrastructure to facilitate economic development. Gendun disbanded the Mongoltrans freight company monopoly and replaced it with a system that concluded goods transport agreements directly between trading organizations and herdsmen on a strictly voluntary basis. After Gendun's fall from power, Mongoltrans was reinstituted and it still inefficiently monopolizes transport to and from Mongolia today. It might be wise to consider re-dissolving or totally privatizing this government-controlled transport carrier.

During Prime Minister Gendun's administration, private trade was encouraged--but regulated--with foreign trade still under state control. Importance was attached to accelerating the supply of goods to the herdsmen through the re-introduction of mobile trading organizations with specified restrictions on the operations of private traders. Although retail trade returned to private hands, demand for consumer goods and foodstuffs still outstripped supplies. Even for basic necessities like tea, tobacco and sugar, prices rose well above the state fixed rate. This same phenomenon was experienced in Mongolia in 1991-1993. When the newly created retail cooperatives were fostering rackets, selling at inflated prices, embezzling funds and misappropriating goods, Gendun clamped down on these illegal activities.<sup>64</sup> Such experiences are now being repeated in the chaos since the breakdown of the socialist system with tens of millions of dollars of Government funds having been misappropriated and the guilty officials not brought to justice after more than two years.<sup>65</sup> Certainly in post-communist Mongolia some limitations on the operations of traders, who operate much like smugglers, must be introduced, and Gendun's regulatory policies may prove instructive.

The administration and managerial costs of the government under Prime Minister Gendun were reduced and the currency stabilized. By 1937 the MPRP Central Committee had successfully introduced competition in state and cooperative enterprises. During the Gendun years, there also was the rise of a trade union movement and competition was used to increase labor productivity and quality-control

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<sup>64</sup> Bawden, *Modern History*, p. 255 states that by early 1934 2.5 million *tugrigs* were missing.

<sup>65</sup> More than (U.S.) \$90 million of Mongolian Government money was lost by young Mongol officials from 1991-1992 in the junk bond market. Although at first arrested, they have been released while awaiting trial. Two years later, they still have not been punished.



of products. By the late 1930s, workers attended government-sponsored production conferences to encourage them to display creative initiative and inculcate a sense of responsibility. In addition, special attention was given to the problem of the national economy's structure of credit and granting credits for Mongol herdsmen. All of these above-mentioned issues from the 1930s, Mongolia again faces today.<sup>66</sup>

The New Course policies were quite successful in rapidly eliminating the consequences of the Leftist Deviation. From 1934-1939, livestock herds increased 5.5 million head over the preceding three-year period, the number of animal shelters and wells grew greatly, and more than ninety voluntary associations and organizations among the people in the countryside were established by 1940. The herd size in 1941 remains the highest in recorded Mongol history.

During the Leftist Deviation and New Course periods in the 1930s ordinary citizens and officials were equally confused by the sudden changes in policy. Not knowing what to expect, Mongols were reluctant to heartily embrace any political or economic policy, so as to not be compromised if the official line changed again (which it eventually did). This attitude is also widespread in today's Mongolia, and it will take time for the people to overcome their fears.

In 1934, Gendun recognized that Party officials were employing Russians and Chinese to do technical jobs, instead of training young Mongol specialists. As a result, Mongol trainees did not take courses taught by Soviet teachers seriously, and left everything to the foreign experts. In response, he encouraged Mongol trainees to increase their motivation and skills so as to be more qualified for technical work. Today, Mongolia is replacing Soviet and Eastern European experts with specialists from the Western countries. It is a good time to implement policies such as Gendun's so that Mongols replace the departed technicians from the socialist countries, rather than just depending upon a new set of foreigners to keep the country running.

By 1936, sharp differences of opinion on Party economic policy wracked the national leadership. Prime Minister Gendun was criticized for taking privatization measures too far, and his successful program was condemned under the pretext that he was secretly cooperating with

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<sup>66</sup> *History of the Mongolian People's Republic* (Nauka), p. 340. In 1932 credits were extended to *arats* worth 73,000 tugriks. By 1934 this amount rose ten times--50% of which went to the poorest *arats*.

the Japanese to attack Mongolia and to stage an internal uprising against the Party for his own self-seeking motives.

In 1937, at the Central Committee of the Party's Second Plenum, Choibalsan,<sup>67</sup> Minister of Internal Affairs, criticized Gendun as a man who loved neither the people nor the country. He accused Gendun of diverting Mongolia from the non-capitalist path, undermining Mongolian-Soviet friendship, weakening the national defense, and allowing the growth of counter-revolutionary forces.<sup>68</sup> Gendun's "anti-Party" clique:

. . . began committing crude breaches of revolutionary law and socialist democracy, initiated unjustified reprisals against innocent people based on various slanderous materials and staged the trumped up Lkhumbo case. . . . No matter how people explained his mistakes to him, he did not admit them. I wonder whether he was really a stupid man. If he were as stupid as that, how could he be Prime Minister!<sup>69</sup>

Gendun's group was accused of seeking to lessen the Party's leadership role in the country, questioning the value of the Soviet alliance, and moving Mongolia towards capitalism by giving "every possible encouragement to capitalist elements."<sup>70</sup> Choibalsan engineered Gendun's exile to the Soviet Union, where several years later he was executed in secret as a Japanese spy.<sup>71</sup> Although charges that he was a spy were withdrawn in the 1980s, Gendun remained an unrehabilitated figure until November 1992.<sup>72</sup>

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<sup>67</sup> Marshal Kh. Choibalsan (1895-1952), the "Stalin of Mongolia," was Premier from 1940 until his death. See Brown and Onon, *History*, p. 742, note 7 for biographical list. An English translation of his biography, "The Life and Achievements of Comrade Choibalsan," written by his successor Yu. Tsendenbal, can be found in *Mongolian Heroes of the Twentieth Century*, Onon, Urgunge, trans. (New York: AMS Press, Inc., 1976), pp. 193-210.

<sup>68</sup> *History of the Mongolian People's Republic* (Nauka), p. 398. Also see Onon, *Mongolian Heroes*, p. 204.

<sup>69</sup> Onon, *Mongolian Heroes*, loc. cit.

<sup>70</sup> *History of the Mongolian People's Republic* (Nauka), p. 347.

<sup>71</sup> See Bawden, *History*, pp. 335-342 on the Gendun-Marshall Demid conspiracy.

<sup>72</sup> Gendun's family tried for years to learn his fate and his wife even wrote to Soviet President Gorbachev. A letter arrived in November 1992 officially informing the family of his death by firing squad.



## Conclusion

Presently, Mongolia is debating tax policies which some Western economists feel are regressive and discourage capital accumulation. Mongol leaders, trained to be negative towards capitalistic thinking, should take care not to repeat the errors of the tax programs of Mongolia in the 1928-32 Leftist Deviation period. Increased taxes then failed to impact the truly wealthy but drove the lower lamas (analogous to a middle class) into poverty. The Government's taxation policies in the 1930s were drafted to induce social change. Some failed while others succeeded. The April 1936 confiscatory tax on the richest high lamas (a modern equivalent to the wealthy entrepreneurs of Mongolia) doubled revenue in two years but destroyed the rich lamas and thus the Government's profitable tax base.<sup>73</sup> These tax policies were consciously employed to destroy the social and economic fabric of the old feudal system. In this new free market era, tax policy must be constructed so as to nurture economic activities rather than strangle them.

A study of Gendun's policies will only be an historical example for present economic planners to use as a starting point. Mongolia's economy today is more industrial and less livestock centered, but the nomadic psychology and value system of the majority of the population has not caught up with these economic changes. Foreign economic advisers and Mongol political leaders should recognize the cultural and economic factors influencing the citizenry, and accordingly offer realistic economic proposals. Gendun's New Course is a real case-study from Mongolia's own history, which can provide important insights useful for successfully managing Mongolia's transition from a command economy to a free market one, taking into consideration the country's nomadic economic context.

As Jagchid and Hyer have noted, the process of modernization has revealed that Mongolian nomads are very flexible and progressive despite severe limitations imposed upon them by nature and government. The nomadic lifestyle is disadvantaged by a weak economic base for the development of cities, industries, and transport systems.<sup>74</sup> The question remains as to whether Mongolia will be only an interesting variant in the inevitable transformation of nomadic peoples to sedentary life and industrialization, or if in fact Mongols will be able

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<sup>73</sup> Moses and Halkovic, *Introduction*, pp. 263-265.

<sup>74</sup> Jagchid and Hyer, *Mongolia's Culture*, p. 15.

to create a unique form of market economy molded by their own brand of nomadism, which is so well-suited ecologically and economically to this land and clime. As Moses has stated:

The lessons of the Mongol experience are obvious. A revolutionary elite in a backward nation can only succeed if it understands the strength and validity of its traditional institutions.<sup>75</sup>

In his book *Inner Asian Frontiers* (1940), Owen Lattimore wrote of Mongolia's potential resources in agriculture, livestock, and mining. Mongolia was not part of an economic system undergoing rapid growth and change. Some fifty years later, the economic situation is very different. Mongolia is a part of a rapidly developing regional economic system, which can only spur its growth. However, the first step down this road is to properly understand the dynamics of Mongolia's traditional economy. Foreign economic advisers and domestic planners alike must recognize that when the old command economic system is dismantled, what is revealed is not the remnants of a commercial/agricultural society, but rather the structure of a nomadic economy with accompanying social and cultural value systems. It is upon this rather unusual foundation that Mongolia's economic development towards privatization and modernization must certainly rest. The challenge for Mongolia is to attempt to find a new formula for its economic development, one which recognizes the contributions and strengths of the traditional animal husbandry economy, but integrates this heritage with democratization and privatization. Such a path of economic development may be more suitable than trying to graft an unnatural and expensive to maintain agro-industrial economy onto a land of harsh climate and geography, hostile to normal sedentary economic activities.

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<sup>75</sup> Moses and Halkovic, *Introduction*, p. 265.