WASHINGTON—Twenty-five years after the fall of communism, the Peterson Institute for International Economics has published a new collection of analytical histories by the economic policymakers who themselves led reform of the former Soviet bloc countries. The authors conclude that rapid and bold economic modernization brought greater success than a slower, more incremental approach. The reforms that worked best, the book argues, were early and comprehensive deregulation of prices and markets, introduction of greater competition, privatization of state-owned enterprises, removal of subsidies, and tightening of fiscal and monetary policies.

The book, *The Great Rebirth: Lessons from the Victory of Capitalism over Communism*, comprises unique essays by 14 scholars cum practitioners from Eastern Europe, most of them drawing on their own experiences in carrying out the difficult transition from state-controlled economies to free markets and democracy. Among the contributors are Leszek Balcerowicz, former deputy prime minister and minister of finance of Poland, and Vaclav Klaus, former president and prime minister of the Czech Republic, two major figures in the region’s revival after the end of the Cold War.

“Visionary leaders willing to carry out early, radical, and comprehensive reforms rather than delaying reform achieved the best outcomes,” said Anders Åslund, senior fellow at the Peterson Institute and coeditor of the book with Simeon Djankov, former finance minister and deputy prime minister of Bulgaria and visiting fellow at the Peterson Institute. “Combating corruption and fostering political freedom are also often inextricably related to success and failure of reforms.”

The book points to Estonia and Poland as the biggest economic success stories in the former Soviet sphere, where per capita GDP based on purchasing power parity has more than doubled since 1989. Their economic success through reforms has been accompanied by the establishment of strong democracies. Democracy, the authors maintain, has been vital for the success of market reforms, meaning in practice government transparency, checks and balances, promotion of civil society, a free press, and limits on the power of vested interests.

The biggest roadblocks to reform have been found in those countries where corruption, monopolies and oligopolies that overcharge because of their market power, and secret police on the Soviet model have persisted. In Kyrgyzstan, Macedonia, Moldova, Tajikistan, and Ukraine—countries that carried out insufficient reforms and failed to curb corruption—GDP
per capita in real terms is lower today than in 1989. More recently, two major countries—Russia and Hungary—have gone backwards in economic reforms and in democracy. Both have recently overturned seemingly successful market economic openings of the preceding 20 years, demonstrating that few achievements are irreversible.

The book originated with a conference held in Budapest in May 2014 by the Peterson Institute, which convened 45 important policymakers and academic specialists in two days of discussions of the historic economic policy decisions made in Post-Soviet states after the fall of the Berlin Wall. The book contains nine country studies and five thematic essays on cross-country lessons.

For most of Eastern Europe, these decisions to pursue economic reform led to a great rebirth of economic well-being and political rights, one that has lasted until today.

The message of the study for Ukraine’s current crisis and new government is clear and relevant: The country was unable to adopt reforms in the early Post-Soviet period, and is now struggling with the legacy of its earlier failures in the face of opposition by some entrenched elites. The book argues that Ukraine, even more than many other countries, has much to learn from the lessons of the most successful post-communist countries, particularly regarding corruption and competition.

_The Great Rebirth: Lessons from the Victory of Capitalism over Communism_
Anders Åslund and Simeon Djankov, eds.
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About the Peterson Institute

The Peterson Institute for International Economics is a private, nonprofit institution for rigorous, intellectually open, and in-depth study and discussion of international economic policy. Its purpose is to identify and analyze important issues to making globalization beneficial and sustainable for the people of the United States and the world and then to develop and communicate practical new approaches for dealing with them. The Institute is widely viewed as nonpartisan. Its work is funded by a highly diverse group of philanthropic foundations, private corporations, and interested individuals, as well as income on its capital fund. About 35 percent of the Institute’s resources in its latest fiscal year were provided by contributors from outside the United States. A list of all financial supporters for the preceding four years is posted at [http://piie.com/supporters.cfm](http://piie.com/supporters.cfm).