Mass Privatization in Central and Eastern Europe and the Former Soviet Union
A Comparative Analysis

Edited by
Ira W. Lieberman, Andrew Ewing, Michal Mejstrik, Joyita Mukherjee and Peter Fidler

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Foreword

The importance of a robust private sector in the development of an economy is well-established. However, the question of how to spontaneously create a private sector within an atmosphere of complete state-control is a great deal more complex.

One of the ways in which practitioners dealing with this question in the Czech and Slovak Republics, Lithuania, Poland, and Russia have attempted to answer it, has been through the implementation of mass privatization programs. Mass privatization is a process in which a substantial portion of an economy's public assets are transferred to a large, diverse group of private buyers. It involves bundling or grouping of the firms to be privatized, rather than the case-by-case enterprise sell-off approach commonly used in OECD countries. Furthermore, mass privatization adds a socially equitable and politically popular element to the process of ownership transformation, as mass privatization schemes usually distribute enterprise shares to the public, either for free or for a minimal charge, through a voucher allocation scheme.

While mass privatization programs are key ingredients in the expeditious creation of vibrant private sectors, these programs are also exceedingly complex, have many pitfalls, and can even undermine public support for privatization. Mass privatization programs must therefore be developed carefully, and countries beginning their privatization programs must examine all the options open to them and take account of the experience to date.

This paper contains useful information for researchers and academics on how privatization has fundamentally altered the economic landscape in formerly socialist countries. But the most important audiences for this paper are policymakers, practitioners, and development in-