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978-1-107-02654-4 - How Capitalism was Built: The Transformation of Central and Eastern Europe, Russia, the Caucasus, and Central Asia: Second Edition

Anders Åslund

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HOW CAPITALISM WAS BUILT

Second Edition

Anders Åslund is known for making bold predictions that initially arouse controversy but become common wisdom a few years later. He foresaw the collapse of the Soviet Union in his book *Gorbachev's Struggle for Economic Reform* (1989). He depicted the success of Russia's market transformation in *How Russia Became a Market Economy* (1995), when others saw little but chaos. After Russia's financial crisis of 1998, Åslund insisted that Russia had no choice but to adjust to the world market (*Building Capitalism*, 2002), although most observers declared the market economic experiment a failure.

- Why did Russia not choose Chinese gradual reforms?
- Why are the former Soviet countries growing much faster than the Central European economies?
- How did the oligarchs arise?
- Where are the postcommunist countries heading?

These are just some of the questions answered in this book, *How Capitalism Was Built*, which tells the story of how all but three of twenty-one former communist countries were transformed into market economies from 1989 to 2011, but fewer than half of them became democracies.

Anybody who wants to understand the often confusing dramas unfolding in the region and to obtain an early insight into the future will find this book useful and intellectually stimulating.

Anders Åslund is a leading specialist on postcommunist economic transformation with more than thirty years of experience in the field. The author of twelve books, he also has worked as an economic advisor to the Russian government, to the Ukrainian government, and to the president of the Kyrgyz Republic.

Dr. Åslund joined the Peterson Institute for International Economics in Washington, DC, in 2006. Before that he was the director of the Russian and Eurasian Program at the Carnegie Endowment for International Peace. He teaches at Georgetown University. He was the founding director of the Stockholm Institute of Transition Economics and professor at the Stockholm School of Economics. Dr. Åslund was born in Sweden and has served as a Swedish diplomat in Moscow, Geneva, and Kuwait. He earned a Ph.D. from Oxford University.

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Other Books by Anders Åslund

Private Enterprise in Eastern Europe, 1985.

Gorbachev's Struggle for Economic Reform, 1989.

Post-Communist Economic Revolutions: How Big a Bang? 1992.

How Russia Became a Market Economy, 1995.

Building Capitalism: The Transformation of the Former Soviet Bloc, 2002.

Russia's Capitalist Revolution: Why Market Reform Succeeded and Democracy Failed, 2007.

How Ukraine Became a Market Economy and Democracy, 2009.

The Last Shall Be the First: The East European Financial Crisis, 2008–10, 2010.

With Valdis Dombrovskis, *How Latvia Came Through the Financial Crisis*, 2011.

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For Anna, Carl, and Marianna

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Russia, the Caucasus, and Central Asia*

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ANDERS ÅSLUND

Peterson Institute for International Economics

Washington, DC



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The responsibility for any remaining faults rests with me.

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Abbreviations

BEEPS	EBRD–World Bank Business Environment and Enterprise Performance Survey
CBR	Central Bank of Russia
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
CMEA	Council of Mutual Economic Assistance
CPSU	Communist Party of the Soviet Union
EBRD	European Bank for Reconstruction and Development
ECE	Economic Commission for Europe (United Nations)
EIB	European Investment Bank
EU	European Union
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GDR	German Democratic Republic
GNP	Gross national product
IFI	International financial institution
ILO	International Labor Organization
IMF	International Monetary Fund
IPO	Initial public offering
NBP	National Bank of Poland
OECD	Organization of Economic Cooperation and Development
PPP	Purchasing Power Parity
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
VAT	Value-added tax
WTO	World Trade Organization

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