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## Privatization in East European Transformation

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Privatization of state assets is an essential step to the creation of a viable private sector in the formerly socialist economies of Eastern Europe and the Soviet Union. A standard approach to the problem has rapidly emerged. Small firms are being privatized by sale very rapidly. The strategy then turns to larger industrial firms, which are to be corporatized as soon as possible, moved out of the shelter of the ministries that now in principle control them, and put under the direction of corporate boards; at the next stage the intention is to distribute shares, through sale or free transfer, to some combination of current workers in the firms, current management, mutual funds, holding companies, banks, insurance companies, pension funds, citizens, and the government. I analyze the standard approach and alternatives, as well as progress in implementing privatization, with emphasis on Poland, Hungary, and Czechoslovakia. Progress in privatizing small firms has been rapid in several East European countries, but privatization of large firms has been slow, with most success to date in Hungary.



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