

# **Stabilization and Transition in Czechoslovakia**

Karel Dyba and Jan Svejnar

June 1992

## **Abstract**

The paper presents an analysis of the Czechoslovak stabilization and transformation policies through the first quarter of 1992. It documents the success of the government in (a) extinguishing the inflationary pressures brought about by the sudden liberalization of about 85% of all prices in January 1991 and (b) stimulating rapid development of the small-scale private sector. The paper also analyzes the causes and extent of the 1990-92 recession, which turned out to be more severe than was officially expected. The analysis concludes by pointing out that the impressive stabilization exercise has thus far been accompanied by only limited enterprise restructuring. The success of the transition hence depends very much on the outcome of the massive privatization of large enterprises.