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A lesson in free-market economics

Veselin Vukotic makes a difference in emerging nation

By Richard W. Rahn

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PODGORICA, Montenegro

Of all the people you know, friends, family and acquaintances, who has done the most to benefit his country and/or the world? I ask this question because here in Montenegro, there is a man who already has done much to benefit his country, and yet his real impact will not be known for many years, perhaps generations.

First, a bit about Montenegro. It is one of the world's smallest countries, with a population of 672,000 and a land area that is a little smaller than the state of Connecticut. It was the last of the former Yugoslav republics to gain independence from Serbia in 2006. Unlike the wars that resulted when other sections of Yugoslavia declared their independence, Montenegro's move toward independence was peaceful, gradual and democratic. Perhaps nowhere else on earth is a country more blessed with so much physical beauty in such a small space. Even though the word "spectacular" is overused, there is no other way to describe the Adriatic coastline of Montenegro - where majestic mountains spring from a clear blue sea, occasionally broken by splendid deep-water bays. During the winter, you can be in a coastal village tending your orange trees in a mild, sunny climate and within a very short distance and time to skiing on the interior mountains. It is a vacationers' paradise.

Montenegro was the only part of the Balkan Peninsula to maintain its independence during the 500 years of Turkish occupation, which ended about 130 years ago. The tough Montenegrins (who are on average about the tallest people on the planet) managed to defend their high mountain villages against the Turks, but when the Turks left the Balkan Montenegro eventually was made part of Yugoslavia. Then, like the rest of the Yugoslavia, it suffered under decade of communism.

After the death of long-time dictator Josip Broz Tito three decades ago, Montenegro began slowly to wean itself from both communism and Yugoslavia. A key figure in this process was a remarkable young economist, Veselin Vukotic who well understood why the communist/socialist model was fatally flawed. As a student and then a professor, he became a real scholar of the Austrian and Chicago free-market schools of economics. He not only taught students but also consistently explained to his fellow countrymen and political leaders why the free-market model was best. Many in the old establishment who were comfortable living off the state considered Mr. Vukotic and his increasing number of followers to be not only an annoyance, but also a threat to their way of life.

Professor Vukotic has created a new private university in Montenegro, University of Donja Gorica (UDG), that already has 1,500 students and a large, new building. He has been able to attract world-class scholars from a number of countries, including the United States, to teach or lecture. UDG also already has established cooperative agreements with universities in Europe and North America.

Decades ago, another young Yugoslav, having already been trained as a lawyer, was able to escape from the communist oppression. He came to the United States, studied economics and became a well-known and highly regarded scholar and professor of economics. His name is Svetozar "Steve" Pejovich, professor emeritus at Texas A&M University. This is what he just wrote about Mr. Vukotic:

"Veselin Vukotic, a man with no financial means, in a country that is emerging from decades of socialism, had a vision that the country's development in the direction of free markets needs well-educated young people who understand the economic forces at work. Driven by this vision that human capital is the most important requirement for a sustained transition from socialism to capitalism, Veselin, against enormous odds, founded the University of Donja Gorica (UDG), a private, openly free-market oriented institution of higher learning. Focusing on the work of great classical liberals like Hayek, Mises, Friedman, and Buchanan, curriculum at the UDG is creating a small but well-educated group of young men and women who understand the essentials and benefits of the free-market, private-property society, and who are slowly, thanks to their superior knowledge, moving into decision-making positions. UDG is creating a firm foundation for the development of a society of free and responsible individuals."

In addition, John Moore, president emeritus of Grove City College, who taught at UDG, had this to say about Mr. Vukotic: "At UDG, economics is taught not as a set of mathematical formulas, as is too often the case even in the West, but as the study of people interacting freely in market exchanges. This necessarily entails teaching the principles of the free society - the rule of law, private property rights, the independence of the judiciary and so on. In just a few years, Prof. Vukotic has created an institution that holds out real hope for the peoples of the Balkans. It is a powerful force for freedom."

Montenegro has made much progress toward a free and prosperous society, in part because of the extraordinary work of Mr. Vukotic. It has adopted the euro as its currency even though it is not yet a member of the European Union. It has just put in a 9 percent flat tax and moved toward free trade. Yet Montenegro still has much to do, particularly in protecting private property and eliminating corruption. Its future success will depend much on how well those bright young students can translate what they have learned from Mr. Vukotic and his colleagues by keeping the pressure on the government and the private sector to accelerate and maintain the reforms for an increasingly civil, prosperous and free society.

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