

Dear Friends and Colleagues

As I read professor Vukotich's interview in Belgrade's *Ekonomist* (attached), I reflected on the years of association with this extraordinary man. And I take a liberty of sharing my thoughts with you. Some of you do not read Serbian; however, what I have to say here explains why the *Ekonomist* published the story.

Professor Veselin Vukotich is an institutional innovator who has moved the post-communist Montenegro in the direction of individual liberty, private property rights and competitive markets. Yet, the transition of Montenegro from socialism to capitalism has not been Veselin's major contribution to his country. Vukotich's major contribution has been and continues to be in changing how people perceive and understand economic forces at work. I call it the culture of capitalism.

The enactment of the institutions of capitalism from above (i.e., via the strong hand of the state) was the primary vehicle of transition in most post-socialist states, especially in the 1990s. However, Veselin Vukotich realized that sustainable institutional changes are only those that emerge from below. By implication, he understood the importance of investment in human capital.

In contrast to those who love to speak about social justice, which is nothing but the facade of words hiding the redistribution of wealth organized and directed by people who do not own the money that is being distributed, Veselin realized that the wealth of nations depends on institutions that reward *self responsibility, self-determination and a very limited role of the state*. For that reason, educating the youth of Montenegro about the essential and benefits of the free-market, private-property economy became his primary goal.

I was privileged to join Veselin's efforts early in 1990s. Together with some dedicated and highly competent colleagues, such as John Blundell, Enrico Colombatto, Leonard Liggio, Henry Manne, John Moore and Richard Rahn, we helped Vukotich to create, for the first time in the history of Montenegro, several generations of young people who appreciate and are able to elucidate the relationship between individual liberty, limited government and credible private property rights on the one hand, and economic prosperity on the other.

Thus, investment in human capital has been at the very center of Veselin's numerous activities. And the University of Donja Gorica, which enrolled the first class last year, is going to be the crown of Vukotich's efforts. UDG is, I believe, the most unique institution of higher education in Central and Eastern Europe. It has a chance of becoming a lighthouse for directing future generations toward freedom and prosperity. For that reason, all of us who prize individual liberty over the ugly head of collectivism should--nay, must--help Vukotich to make the University of Donja Gorica a success.

I believe that Veselin Vukotich has earned the right to be considered, along with Laar and Klaus, a leading post-communist institutional innovator.

Steve

P.S. Also attached is info about the first class at UDG. In evaluating Vukotich's efforts, please bear in mind that he had no means of his own, that Montenegro is a poor country, and that higher education--especially private higher education--has no roots in that region. However, Veselin had one important asset: deep conviction that FREEDOM WORKS.

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