Introduction to Part I

Liberalization toward market economies could not get under way in communist countries until they were free of Soviet domination. Chapter 1 begins with an economic explanation for the self-destruction of the USSR based on the inability of a centrally planned system to adapt to the political, social and economic implications of the industrial revolution.

Chapters 2 to 6 continue to build the theoretical underpinnings of this book. Our central argument connects economic reforms to potential growth and then forges links between prospective reforms and a democratic election process. The theoretical models developed in these chapters provide the conceptual framework for six country case studies in Part II.

Chapter 2, applying economic reasoning, explains why certain policymakers and certain groups of individuals will resist reforms even though those same reforms will improve standards of living for the vast majority of people.

Chapter 3 introduces five specific economic reforms that characterize virtually all successful market economies in the world. Each of these reforms is shown to play an essential role in a well-designed decentralized market system.

Chapter 4 introduces and develops growth models that allow us to demonstrate in Chapter 5 exactly how each reform raises national income. A technical version of these models is available in Appendix A.

Chapter 5 integrates the five reforms into the growth models and shows how each reform contributes to greater well-being through growth in output per worker.

Chapter 6 introduces a new model that exploits growth models to connect economic reforms, through their effects on voters' growth prospects, to the political process.

The country studies in Part II of the book provide evidence that supports the predictions of this dynamic election model: economics affects politics and politics affects economics.