

Introduction to Part II

Part I emphasized the connections between economic reform measures, growth prospects and political decisions. Chapters 7 to 12 use the conceptual connections built in Part I to analyze the economic performance and prospects of six countries: Bulgaria, the Czech Republic, Estonia, Hungary, Russia and the Slovak Republic. Chapter 13 summarizes Parts I and II.

The countries vary greatly with respect to their historical experiences, political backgrounds and economic development. Estonia and Russia were republics of the USSR (Estonia by military conquest), and Russia was the political and economic control center of the Soviet empire. The others were satellite states. Bulgaria and Slovakia were poor and underdeveloped before the Soviets, whereas the Czech Lands were relatively rich and compared favorably with the wealthier states of Western Europe. Hungary was literally taken apart between the World Wars, losing over half its territory. The choices these countries have made and the determination with which each has pursued democratic capitalism reflect their unique histories.

We argue that a country's economic transition goals are influenced by citizens' notions of their "golden era," the key period that shaped their hopes for the future and their vision for themselves. This means that one must look at their histories before Soviet domination to understand their behavior today. In the framework of growth models, consumers act according to their tastes. Their national histories tell how those tastes have been formed. Consumers' tastes in turn determine whether individuals will behave in ways that promote growth. Another important historical element of economic success is whether there is any societal memory of institutions that make growth feasible; for example, legal structures that protect property rights.

The determination with which people pursue liberalization after independence also depends in great part on their treatment during the Soviet period. The deeper the antipathy for the Soviets, the more disciplined people are likely to be in moving toward market systems. We review each country's history prior to and during Soviet rule before analyzing the implementation and effects of the five basic economic reforms. We conclude each country study by reporting on our quantitative econometric analysis of economic progress as a result of political and economic interaction. This all contributes to our prediction about the likelihood of sustained growth.

