

# COMPARATIVE ECONOMIC SYSTEMS



SCHNITZER  
5TH EDITION

# COMPARATIVE ECONOMIC SYSTEMS

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# PREFACE

Much change has happened in the communist world since the fourth edition of this book was published in 1987. In a relatively short period of time, the Eastern European countries changed from communist to more democratic systems. In East Germany, the Berlin Wall, the symbol of division between East and West, has come down; thousands of East Germans have migrated to West Germany; elections were held in Spring 1990; and reunification with West Germany is probable. A non-Communist was elected President in Poland, and free elections were held in Hungary. In Czechoslovakia hard-line Communist leaders resigned, and the playwright Vaclav Havel, a political prisoner during Communist rule, became acting president. In Romania the dictator Nicolae Ceausescu was overthrown and executed, and in Bulgaria hard-liner Tudor Zhivkov was forced to resign, and the Communist Part lost its constitutionally protected role. In another part of the world, in free elections held in Nicaragua, the Sandinistas were ousted.

Political and economic change has also come to the Soviet Union. Mikhail Gorbachev has introduced sweeping economic and political reforms in an attempt to bolster his country's stagnant economy. These reforms have opened up a virtual Pandora's box of problems. Ethnic unrest throughout the country has increased, and Soviet troops have been used to put down conflict between Christian Armenia and Moslem Azerbaijan. Free elections were held in Lithuania in February 1990, and the opposition party captured more than 70 percent in the Lithuanian Parliament. The opposition favors secession from the Soviet Union. Demands for autonomy or secession are also likely to occur in the other Baltic Republics of Latvia and Estonia. Elections to the People's House of Delegates also occurred in the Soviet Union in March 1990. Despite *perestroika*, the Soviet economy is in deep trouble. Economic growth is low and shortages of consumer goods have increased.

Change has also occurred in the United States and the Western world. Neither the United States nor the Soviet Union has anything like the predominant power it exerted during the period 1945–1985. The Soviet Union has lost political power beyond its borders, raising questions about the future Soviet role in the world. The United States is also losing its position as the predominant world economic power. It has become increasingly dependent on foreign investment for its economic health

and has become the world's leading debtor nation, while Japan, now the leading money center of the world, has become the leading creditor nation. Two events in Europe will also have an impact on the American economy. The first will be the reunification of East Germany and West Germany and the second will be the formation of the European Community in 1992.

The purpose of this fifth edition is to discuss the events that have happened to change the world. It is more difficult to compare capitalism and communism today because of what has happened in Eastern Europe; nevertheless, the Soviet Union and China remain communist countries. China has regressed into a totalitarian state after the student demonstrations in 1989 led to a military crackdown. The new world order that will likely exist by the year 2000 is that the United States will be just one of three relatively equal and competing economic superpowers, along with Germany and Japan. The Soviet Union will not be as important as before in international politics because it has lost the ability to maintain aggressive armies outside its borders. It remains to be seen if Gorbachev's *perestroika* can reform the Soviet economy.

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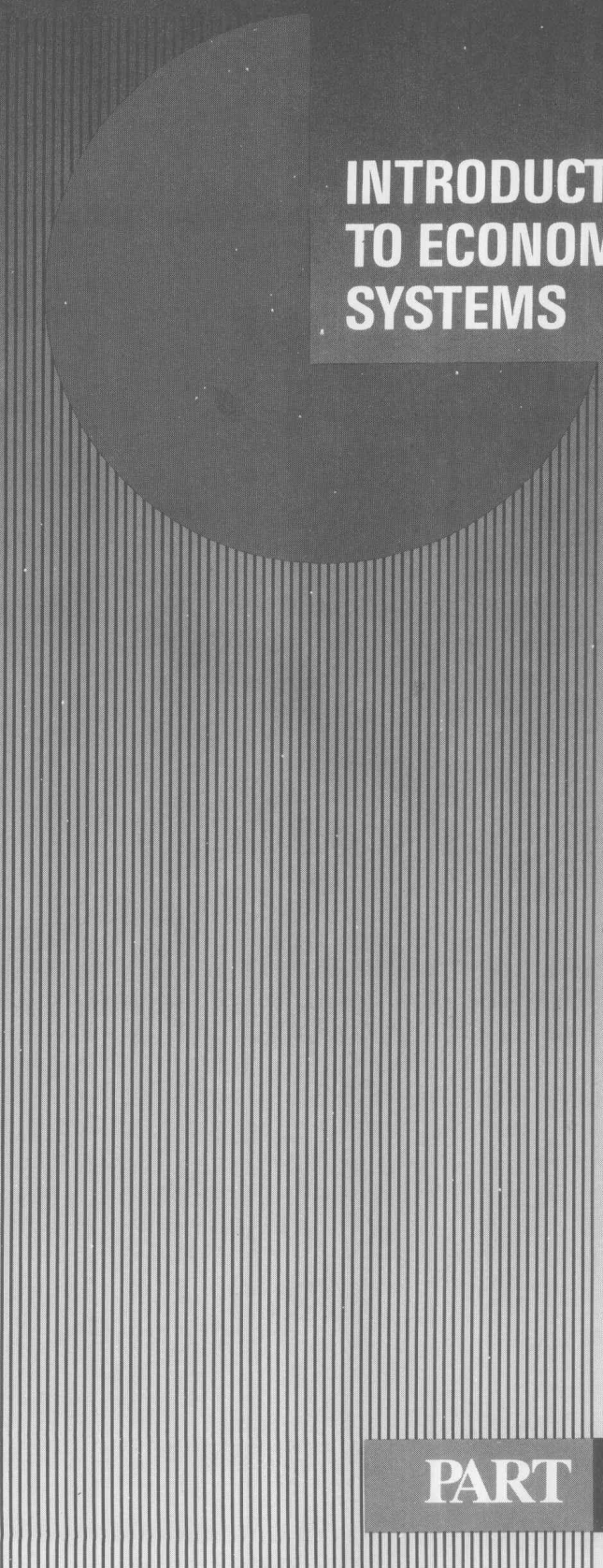
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**PART ONE**

