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Introduction

- 1 Experiences from many countries indicate that successful implementation of economic reforms, to a large extent, is determined by the political and social environments in which reforms are introduced and their evolution over time.
- 2 A wide variety of political arrangements are consistent with the definition of democracy: a system that permits substantial political competition, encourages widespread political participation, and protects civil and political liberties necessary for meaningful competition and participation. Again, a wide range of economic institutions and legal frameworks are consistent with the essence of a market economy: a system that protects a broad range of property rights, relies primarily on market mechanisms to allocate resources, and is reasonably open to international trade and investment.
- 3 Consolidation of reforms is less a matter of specific measures than of changes in the attitude and behaviour of economic actors. Successful market reforms are possible if they generate incentives for firms and workers to direct effort to efficient production rather than winning concessions from government. An important ingredient of such a process is the assumption that the new rules of the economic game are not likely to be reversed or radically changed. Economic actors must increasingly come to accept the uncertainty inherent in the system, namely, that market economies provide only the rules and procedures to be followed, but do not guarantee outcomes to specific actors.
- 4 Acceptance of the rules and procedures in turn requires that certain beliefs are widely shared and sustained over time. The procedures must offer the best assurances available for avoiding the economic pitfalls most dreaded by society; that they will not produce disastrous economic outcomes for the economic actors, i.e. the costs of losing will not put them out of the economic game; and that they will be reasonably well enforced and that other economic actors will obey them.
- 5 It may be conceded that there will be individuals or groups that may not share in these beliefs and who may seek ways to evade or change them. Consolidation of the market system consequently depends critically on how widely held these beliefs are. These considerations underlie the common fear that democratic politics can abort or derail economic reforms. The evidence, however, shows that reforming governments have not always been punished at the polls. On the contrary, some leaders have been rewarded handsomely by their electorates. However, some governments have actually lost support not simply because of high costs of reform, but because delays and inconsistencies in implementation added to and prolonged the pain of adjustment.
- 6 In a similar vein, there is the fear that rapid and deep economic reforms can also undermine tentative and fragile commitments to democracy or distort

the nature of emerging democratic institutions. But where reforming governments have enjoyed the benefits of robust growth or the initial macro-economic imbalances were comparatively small, or where strong institutional structures existed, adjustments have been rapid and credible, as well as strengthened the democratic process.

- 7 From the viewpoint of the standard paradigm, the choice of policy is either exogenous or a response to concerns with efficiency. The primary focus of analysis is therefore with the effects of policy on economic outcomes. The reform experience strongly suggests that at least in democratic polities, policy is not so much a function of its intended effects as it is the outcome of the interactions among politicians, bureaucrats, and interest groups operating within a set of institutional constraints.
- 8 The focus of this paper is on analysing the political and social dynamics of designing, implementing, and managing economic reforms. The objective is to

examine the adjustment experience and determine what light may be thrown on the formulation and implementation of more effective policies in the future as it pertains to the following:

- ❖ the nature of the economic policies implemented under Structural Adjustment Programmes (SAPs);
- ❖ the obstacles commonly encountered by policy makers in designing, implementing, and managing economic policies;
- ❖ political and social obstacles – experiences and policy recommendations;
- ❖ the implementation and management of economic reforms in a global economy when the policy options available to the domestic economy have diminished; and
- ❖ the new role of governments in ensuring economic growth by reducing government expenditure, encouraging the private sector, reforming the judicial system, introducing efficient government, alleviating poverty, and providing efficient social security systems.