

MIND YOUR STEP

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Review on Luiz Carlos Bresser-Pereira, José María Maravall and Adam Przeworski, *Economic Reforms in New Democracies* (Cambridge: Cambridge University Press, 1993), in *International Economic Insights*, November 1993: 28.

Governments of transforming societies must build democratic frameworks, even if it means a slower pace and increased costs for economic reform.

Three distinguished social scientists address the critical question of whether or not it is feasible to reconcile needed market-oriented economic reforms with the consolidation of democracy in countries undergoing a transition from authoritarian rule to civilian government. They review the experiences of Latin America, Southern Europe and Eastern Europe, with particular reference to Poland. Their conclusion is that the risks are high unless policymakers understand that they must identify and implement a reform strategy that will result in both resumed growth and strengthened democracy.

They begin with the correct observation that economic crises often coincide with transitions to democracy. The new regimes confront two challenges: how to resume growth and, at the same time, consolidate the nascent political institutions. And, they comment correctly that since the reforms necessary to restore the capacity to grow inevitably create a transitional deterioration in the living standards of many groups, the consolidation of democratic institutions can easily be undermined.

The authors argue forcefully that if reforms are to succeed under democratic conditions, distributional conflicts must be institutionalized. Simply put, all groups must channel their demands through the democratic institutions and reject other measures. Political

forces in society must be willing to subject their interests to the verdict of democratic institutions. To accomplish this goal, politically relevant groups must be offered incentives to process their demands within a democratic framework.

Traditional technocratic methods of introducing economic reforms must be eschewed. Rule by decree and efforts to avoid public opinion will usually falter – or fail. Consultation is the name of the game. The government, to succeed, must include representative organizations and institutions in the formulation and implementation of the program, even if this weakens the logic of the economic program or increases its cost.

Had this *social democratic* approach to market-oriented reform been adopted in Poland, the defeat of the technocratic, non-consultative, center-right coalition might have been avoided in the September parliamentary elections. Ironically, it is the ex-communists and their allies who now call for a social democratic reform process.