



**THE POLITICAL AND INSTITUTIONAL PRECONDITIONS FOR  
(BROAD RANGING)  
ECONOMIC REFORM**

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# I. Initiating Reform

Proposition #1: Initiating a meaningful reform is difficult!

a) Why?

b) What is economic reform anyway?

Corrolary: Real opportunities for launching major reform only arise from time to time...

- But to seize these opportunities (or to create them) requires political leaderships (selling the strategy)

Counter-proposition: Democratic governments can be counted on to do the necessary... but only after they have tried everything else!

## II. Implementing reform

Proposition #2: Implementing reform requires both a clear strategy, and cunning tactics: but tactical options are very situation specific.

- a) Somebody is going to get hurt. The need for and limits to compensation mechanisms
- b) Cooptation: Do not take on the teachers' union
- c) Reform by stealth: Hide your game?
- d) The suicide option
  - Does front-loading work?
  - Irreversibility: can you bind the successor government?
  - Resurrection? Politics is a repeated game, but politicians only play once (Grover Cleveland excepted)

### III. Institutionalizing reform

Proposition #3: Beware entropy (the reform impulse cannot be sustained without an effective and adaptive public sector)

- a) Quantity versus Quality
- b) Quangos
- c) Rule-based governance
- d) Constitutional courts and the justice system
- e) Transparency: economic analysis and public policy
- f) The role of international peer-pressure