

**A few remarks on Jorgen Elmeskov's
The political economy of structural reform**

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The Hague, June 3, 2009

Overall message – a few salient findings

Macroeconomic conditions

ongoing fiscal consolidation bad for reform

crisis can promote reform (especially of product markets)

Complementarities and timing

some sequences, e.g. trade – product – labor, work better

early reforms attempts foster more comprehensive reforms

Political landscape

little effect of constitutional rules and electoral cycles

clear electoral mandates helpful for successful reforms

How manageable is reform process?

Crisis as a precondition?

is the current crises a window of opportunity?

perhaps, but then public finances in shambles

wait with fiscal consolidation until reforms have been made?

Sweden in the early 1990s

Complementarities and timing?

perhaps – but not clear that choice is always there

e.g., financial deregulation – tax reform wrong sequence

precursor to some of the 1990s banking crises

Political landscape?

commitment to electoral platforms may be much easier in some political systems than others (plurality vs. PR)

Missing – other areas of structural reform

Cast the net a bit wider?

private services

financial markets

taxation, social welfare systems

public services: schools, health care

environment, climate

policymaking *institutions*: CBI, budget processes

More nuanced picture

some countries will appear in different light

role of political systems, parties, interest groups

Missing – link to some political economy literatures

Reform in transition countries

gradualism rather than big bang – may allow cheaper "buyouts"
and entails option value of waiting,

Political vs. economic liberalizations

methodology: estimate effects on outcomes

much better growth outcomes when economy liberalized
ahead of political system

Fiscal consolidations, agenda-setting/legislative bargaining,

closed rule rather than open rule (take it or leave it proposal)

cf. Swedish tax reform and pension reform

may avoid costly war of attrition