

## **REFORUM: ECONOMIC REFORMS DURING THE CRISIS? RESPONSE OF THE POPULATION AND LIMITS OF POLITICAL STABILITY**

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**Structural economic reforms are normally accompanied by so-called transformational recession—a period of marked contraction of production, slower GDP growth, and accompanying challenges, such as reductions in real incomes of households and growth of unemployment.**

A government that puts in place structural reforms should emphasize the willingness of the population to endure accompanying economic challenges; otherwise reforms may pose risks of either consolidation of authoritarianism (in order to protect the kamikaze government from public discontent using undemocratic measures), or populism and cancellation of reforms.

Therefore, if the transformation process takes too long, the economic recession proves too deep, or the population fails to comprehend the ratio of costs to benefits of reforms, the number of citizens wishing for reforms to be *cancelled* may grow, which may ultimately bring about political instability.

The new economic crisis in Belarus that started in 2015 is an important context to understand the response of the population to the changes driven by the transformational recession following the introduction of potential reforms. It is estimated that once citizens become exposed to the consequences of the slower economic growth amid the crisis they will be more rational in assessing their willingness to put up with the hardships that are typical of the reform process. In other words, reforms can be interpreted as an inevitable transition from the crisis to stabilization (from the horrible to the bad or the good), rather than the deformation of stability. The findings of the poll that BISS has conducted as part of its REFORUM project allow assessing the willingness to deal with these difficulties.

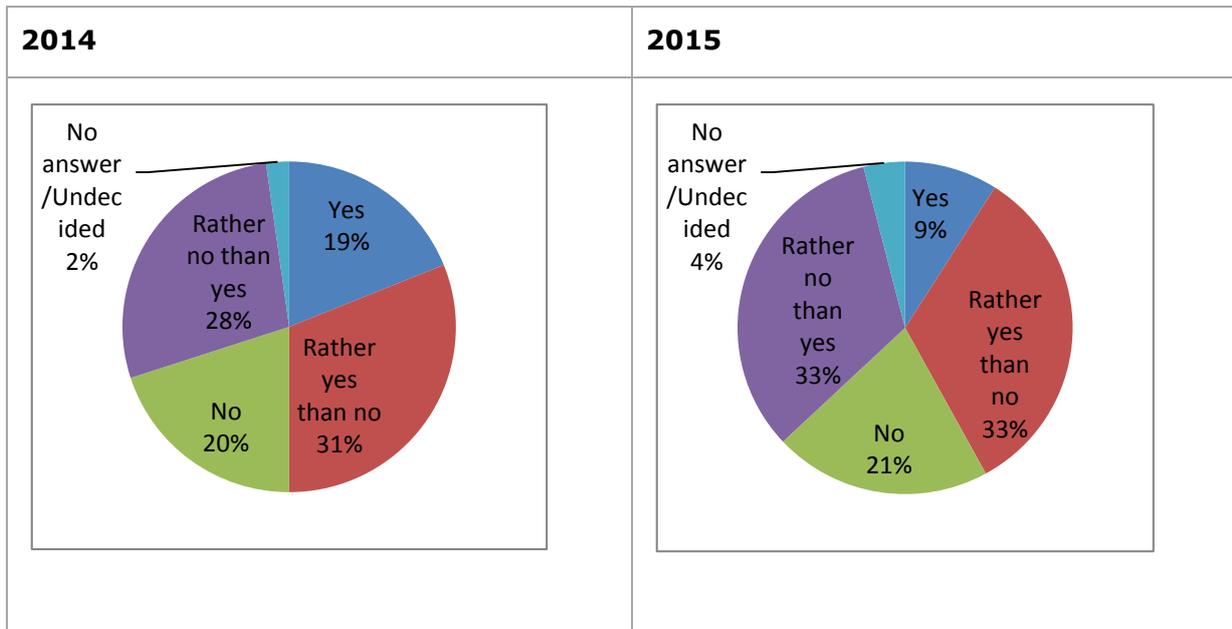
As we wrote [previously](#), the share of the Belarusians who believe that the country needs reforms, or rather needs reforms, slightly increased in 2015 compared with the level reported for 2014, by 1.2 and 7.3 points, respectively. Most of the population believes that Belarus is in need of reforms: the proportion of those who think that the country requires no reforms is less than 15%, and the “no answer/undecided” group shrank from 4% to 3.5%.

This positive change, albeit quite insignificant, could become a cue for a potential team of reformers. However, as the share of supporters of reforms grows, the proportion of those who are ready to endure the negative “symptoms” of reforms—even for the sake of future improvements—narrows. The share of those who are ready or rather ready to deal with the challenges that accompany reforms decreased from 51% to 49%, whereas the share of those who are not ready or rather not ready to endure the negative effects of

reforms increased from 46% to 57%. It turns out that during the crisis, the population started to believe that the cost of reforms is higher than the value of benefits that these reforms will bring if they are successfully implemented.

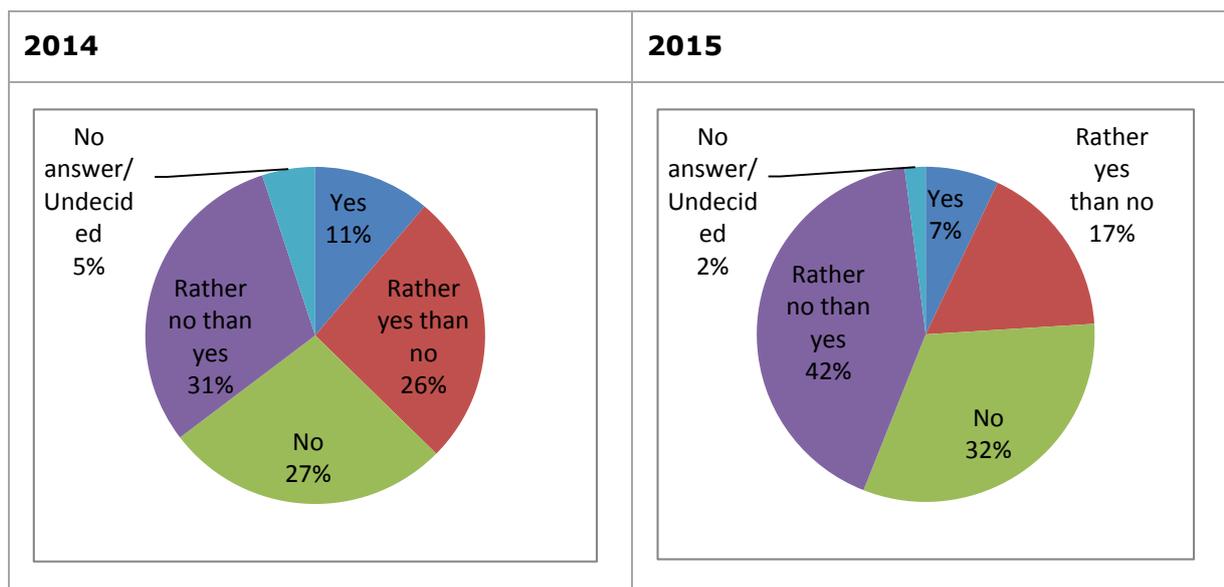
The capacity for shaping a positive attitude to reforms, given transformational costs, appears to be even more limited if we analyze in more detail the change in the population’s willingness to deal with economic difficulties resulting from reforms.

**Diagram 1. Are supporters of reforms ready to endure their negative consequences?<sup>1</sup>**



<sup>1</sup> Answers to the question: “Structural economic reforms often result in a reduction in living standards, growth of unemployment, increase in inflation, and reduction in social support. Are you ready to endure the negative consequences of reforms for the sake of quality improvements in living standards five to seven years after the reforms?” among those who believe that Belarus definitely needs or rather needs reforms.

**Diagram 2. Are opponents of reforms ready to endure their negative consequences?<sup>2</sup>**



We observe the share of the population that is ready or rather ready to deal with the effects of reforms markedly decrease in both groups—those who think that the country is in need of reforms and those who believe that no reforms are required in Belarus. The potential coalition of proponents of reforms is growing weaker and becomes increasingly uncertain of its willingness to deal with the economic slump during reforms. Citizens who believe that no reforms are needed in Belarus tend to radicalize: more of them not only believe that reforms are unnecessary, but also feel unwilling to endure them even for the sake of quality improvements in living standards.

Therefore, a significant proportion of the population who supports the idea of reform appears to be unwilling to deal with *structural economic changes* and must perceive the objective of reforms as the introduction of modifications that will “undo” the current economic situation and eliminate the effects of the economic crisis.

Does this mean that the commencement of structural reforms in Belarus may bring about an increase in the number of protests stemming from popular frustration, as households appear to be reluctant to put up with the impact of transformational recession? The findings of the poll suggest that reforms—even if they cause economic difficulties—will hardly become a reason for political instability (see the Table).

<sup>2</sup> Answers to the question: “Structural economic reforms often result in a reduction in living standards, growth of unemployment, increase in inflation, and reduction in social support. Are you ready to endure the negative consequences of reforms for the sake of quality improvements in living standards five to seven years after the reforms?” among those who believe that Belarus needs no reforms or rather needs no reforms.

**Table 1. Is the population ready for protest actions if benefits and guarantees are reduced?<sup>3</sup>**

	<b>If it happens so that the state fails to provide you with various benefits and guarantees, what will you do?</b>	
	<b>2014</b>	<b>2015</b>
<b>I will stop relying on the state</b>	26.7%	22.9%
<b>I will wait and see</b>	20.4%	16%
<b>I will join rallies</b>	2%	3.2%
<b>I will leave the country</b>	4.6%	4.5%
<b>Belarus is a social state, I can imagine no such changes</b>	30.3%	31.5%
<b>I do not rely on the state in the first place</b>	10.9%	15.0%
<b>No answer/Undecided</b>	5.2%	6.3%

As can be seen from the table, the capacity for protest actions in case the state reduces its support (including a curtailment in incomes and possible unemployment) remains very low despite a minor increase that can be observed in the last 12 months: only 3.2% of the respondents are ready to take to the streets. More than a third of the respondents—38.9%—will take no action. At the same time, the potential response of a considerable portion of the population—the 31.5% of the respondents who believe that Belarus is a social state and cannot stop supporting citizens when it comes to higher wages, employment guarantees and benefits—remains uncertain. However, given the very low protest potential, the likelihood of the “transition” of this population group to the category of potential activists that participate in rallies is considered to be low.

Therefore, the potential team of Belarusian reformers will likely face no serious opposition to reforms from the population even if reforms begin now. However, given the unwillingness of the population to endure the economic difficulties that accompany

<sup>3</sup> Answers to the question: “If it happens so that the state fails to provide you with various benefits and guarantees (guarantees of employment, constant increase in wages, pensions and educational allowances), what will you do?”

reforms, the introduction of reforms during the crisis may lead to a *sustained negative attitude* to reforms, because the population may consider the problems caused by the crisis to have resulted from the reform process.

Therefore, *before putting in place reforms* the team of Belarusian reformers should emphasize efforts to establish effective communication channels with the population in order to clarify the ultimate goal of reforms and show that the results of reforms (long-term economic growth and increase in welfare) are worth enduring the challenges of transformational recession.

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On 28–29 May, Minsk will play host to the international conference “Minsk after Riga: a Forum on Reforms, or How Can Belarus Adapt and Develop in the New Regional Contexts?” The organizers of the conference are BISS and the Embassy of the Latvian Republic in Belarus. The participants will discuss the regional economic crisis and threats to the Belarusian model; prospects of cooperation with the EU and international institutions, as well as the Eurasian Economic Union and Russia; development prospects of Belarus in the context of the conflict in Ukraine and new challenges to the country’s security; and prospects of reforms in Belarus, including the presentation of BISS’s study on reforms, as well as the findings of the expert groups of the REFORUM project.