9 Conclusions: Private Sector Adjustment

9.1 Introduction

This chapter summarizes the findings of the study, discusses its limitations and strengths, and derives implications for future policy decisions. Section 9.2 recaps the main focus of the study and offers a discussion of its limitations and strengths. Section 9.3 presents a summary of the findings and section 9.4 presents the main policy implications. Concluding remarks follow in section 9.5.

9.2 Adjustment and Private Sector Development: Focus, Weaknesses, Strengths

9.2.1 Main focus of the study

The thematic thrust of the argument is that structural constraints arising from the historical development of the economies of developing countries can lead to results that are contrary to those suggested by the macro policies of adjustment. The main systemic features that have been identified include: financial market segmentation characterized by discriminatory credit allocation by banks against firms based on the criteria of size, ownership and family connections; an import-dependent manufacturing sector; an inherited liability structure of firms; and economic openness with a reliance on the petroleum/energy sector for growth. These features affect the allocation of resources and the structure of production creating in the process conditions that lead to differential effects.
and responses of firms. Within industries, dualism emerges relative to the production/asset structures, since these features cut across firm activity.

The notion of a heterogeneous private sector was explored by evaluating structural factors based on differences in size, ownership, and industrial activity. The hypotheses of the research distinguished the effect of changes in relative prices (due to adjustment policies) such that the resulting changes in the cost/asset structures may not necessarily lead to an improvement in profitability and investment, given the notion of heterogeneity.

The important role given to the private sector and private investment in economic recovery in adjustment focused the discussion on the history of enterprise development and the justification of the private sector's role, as well as the emphasis on the market over the state. Also important was an understanding of the private sector's capacity to fulfil its role through an awareness of the determinants of private investment.

The study sought to investigate the microeconomic context of the macroeconomic policies of adjustment firstly through laying bare the historical/structural factors in the economy that have influenced the operations of firms and markets in a developing country. Secondly, there was an investigation of factors in the costs and asset structure of firms as the means through which the effects of the macroeconomic policies are felt by firms. The entry point of the research was therefore directed at the assumption of a homogeneous private sector—specifically the concept of a representative firm capable of flexible response to price incentives with equilibrium being achieved in product and factor markets. The review of elements of the microeconomic aspects of adjustment aimed to look at the concept of the firm and micro-level restructuring to the macro policies, given that all firms face similar conditions relative to market price incentives in the quest to maximize profit.

Distinctive features of the Structuralist/Post-Keynesian framework used in the research are: a departure from the assumption of homogeneity, a focus on the historical, social, and institutional processes in capital accumulation, and an understanding of the market and the macro effect through a study of micro-level dynamics.

The nature and processes of micro-level restructuring in a developing country and the differential situations faced by firms were used to give validity to the exploration of heterogeneity in the private sector of