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The Evolution of the Anti-Washington Consensus Debate: From 'Post-Washington Consensus' to 'After the Washington Consensus'

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The term 'Washington Consensus', as Williamson the father of the term conceived it, in 1989, was a set of reforms for economic development that he judged 'Washington' could agree were required in Latin America. However, the Washington Consensus has been identified as a neoliberal manifesto and as a consequence an anti-Washington Consensus was initiated, as calls were made for the establishment of a different set of policies, such as the 'Post-Washington Consensus', 'Washington Contentious' and 'After Neoliberalism'. Lately, even Williamson has come up with a new set of policies, 'After the Washington Consensus'. The aim of this paper is to investigate the different interpretations and alternatives of this controversial set of policies, and to reveal that the evolution of the debate conceptualizes the evolution of economic thought regarding the required policies for economic development.

KEY WORDS Washington Consensus, Economic development, Post-Washington Consensus, After the Washington Consensus

Introduction

The term Washington Consensus, as Williamson conceived it, was in principle geographically and historically specific, a lowest common denominator of the reforms that he judged 'Washington' could agree were required in Latin America at the time. 'Washington', for Williamson, incorporated the International Monetary Fund (IMF), the World Bank, and the US executive branch, the Federal Reserve Board, the Inter-American Development Bank, those members of Congress interested in Latin America, and the think tanks concerned with economic policy; it is an amalgamation of political, administrative and technocratic Washington. The goal and content of the Washington Consensus was macroeconomic prudence, outward orientation, domestic liberalization, and free market policies

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consistent with mainstream economic theory within the Latin American context. The Washington Consensus was accepted as common wisdom on policies for development and growth. The set of policies of the Washington Consensus (see Table 1 later in the paper) was applied to structural crisis in transition economies, newly industrialized economies and ailing advanced economies (Florio 2002; Stiglitz 2002: 141). The Washington Consensus has been identified as a neoliberal manifesto and a process of an Anti-Washington Consensus debate was initiated as calls were made for the establishment of alternative sets of policies.

The aim of this paper is to determine the different versions, interpretations and alternatives of this controversial set of policies, which reflect the path dependent historical development of the term. Most importantly, the evolution of the debate mirrors the evolution of economic thought in the last 15 years with regard to economic policies required for international economic development. Hence, this inquiry into the interpretation and the alternatives to the Washington Consensus reveals the similarities and dissimilarities between alternative views concerning policies for international economic development. This inquiry requires serious attention to the ideas, their antecedents, interrelationships, and their place in the intellectual landscape.

The paper will only concentrate on the conceptual critique of the Washington Consensus by Stiglitz (1998) in the form of the 'post-Washington consensus', Birdsall et al. (2001) in the form of the 'Washington contentious' and Rodrik (2002, 2004) in the form of 'After liberalism'. I will also incorporate Williamson's response to each specific critique and his final response in the form of the 'After the Washington Consensus' (Kuczynski & Williamson 2003). The reason for the choice of only these four influential authors (or groups of co-authors) is due to the fact that these authors have substantial influence within international donor organizations and assist, explicitly or implicitly, in shaping the conditionality policies of these organizations. A common factor behind the ability of these four authors to influence the conditionality policies of international donor organizations is that they are essentially mainstream (neoclassically–trained economists) and their views on economic policies, while they cannot ultimately be substantially different, nevertheless can have a substantial impact on policies recommended to (imposed upon) developing countries. All these authors contributed to the shifting of the discourse in international donor organization conditionality policies to what Rodrik (2002: 1) names the 'Augmented Washington Consensus'. The Augmented Washington Consensus established the eligibility criteria for the Millennium Challenge Account (aid that reinforces good governance, economic freedom and investments in people), the means of the Bush administration to assist low-income countries (Williamson 2004a: 4). Unfortunately, non-mainstream radical critiques of the Washington Consensus which differ methodologically from the criticisms of the aforementioned authors will not be integrated, due to space limitations, and importantly the radical critiques did not influence the conditionality policies of international donor organizations (see Chang & Grabel 2004).

The paper contributes and determines in a historical-systematic way the evolution of the anti-Washington consensus debate, which to my knowledge has not been attempted before. The paper reveals the intellectual history of the ideas behind the Washington Consensus matched with influential critiques. The focus and the contribution of the paper rest on the origins, goals, context, nature and outcomes of each part of the debate. The paper will only concentrate on the conceptual features of the debate in the form of ideas, critiques and counter-critiques of the Washington Consensus. Students and researchers of international development would benefit from these findings, as they would be able to distinguish between the alternative set of policies and interrelationships between development programs. I employ a classification strategy, using Williamson's well-known original laundry list of the best practices for development strategies as the starting point. Successive waves of critics – sympathetic and unsympathetic – are scrutinized according to how they modified the list. The debate is summarized in Table 1 as a grid, in which the rows represent various planks of the original consensus and the columns represent the various alternatives, starting with Williamson. This format aims to give structure to the discussion by demonstrating precisely which tenets are challenged by which alternatives. The discussion also incorporates justifying the placement of each particular policy prescription in the right cell of the grid.

The Post-Washington Consensus

Joseph Stiglitz presented the 1998 Annual Lecture of the World Institute for Development Economic Research (WIDER) of the University of the United Nations, where the set of policies of the Post-Washington Consensus was originated. Stiglitz in his lecture presented for the first time his new concept of a 'Post-Washington Consensus', as an antithesis to Williamson's 'Washington Consensus'. Stiglitz (1998: 34) presented a set of policies that '. . .are the basis for what [he] see[s] as an emerging consensus, a post-Washington consensus'. Hence, the question arises: was there a new consensus in existence as articulated by Stiglitz or were Stiglitz's ideas on economic development presented as a consensus? Stewart (1997: 68) challenged Williamson by stating that consensus is a word 'often used by those who would like their own views to be accepted'. It appears that this statement might have more validity in the case of Stiglitz's Post-Washington Consensus. At least in the case of Williamson there were elements of some agreement in Washington to justify the word 'consensus'. The same cannot be said for the Post-Washington Consensus, as there was no consensus about Stiglitz's policies in either Washington or anywhere else in the world. In Stiglitz's words, it was 'an emerging consensus'.

The context for the Post-Washington Consensus is East Asia (Stiglitz 1998: 4), not Latin America as for Williamson. East Asian countries had not closely followed the Washington Consensus recommendations, but had by some means managed the most successful development in history. On the one hand, some of their policies, such as low inflation and fiscal prudence, were a perfect fit with the original Washington Consensus. On the other hand, industrial policy and the role of the state in economic development were contrary to the underpinnings of the Washington Consensus. The emphasis on egalitarian policies, while not at odds with it, was not emphasized by the Washington Consensus. To interpret the East Asian financial crisis by stipulating that it was the result of active state intervention overlooked the achievements of state intervention, despite occasional mistakes (ibid.: 2). In actual fact, the problem was not government inaction. The causes of the crisis could be traced to governments underestimating the importance of financial regulation and corporate governance, the implementation of misguided foreign exchange policies and the existence of potential political instability (ibid.: 3).

For Stiglitz, although the Washington Consensus provided some of the foundations for well-functioning markets and certain recommendations, like low inflation and low budget deficits, resulted in countries engaged in successful stabilization programs, the next step was 'designing the second generations of reforms' (ibid.: 4). The goals of development, under the

TABLE 1

The Washington Consensus and the Anti-Washington Consensus

Policies	Washington Consensus (WC)	Post-Washington Consensus	Washington Contentious	After Neoliberalism	After the Washington Consensus
1. Fiscal Discipline	Small budget	The optimum budget deficit depends on the cyclical state of the economy. Fiscal policy that allows automatic stabilizers to operate.	Rule-based fiscal discipline. Transparency. Smooth booms and busts.		Crisis proofing As WC
2. Public Expenditure Priorities	Redirect expenditure to improve income distribution, such as primary education, health care and infrastructure.	Building human capital	Social safety nets that trigger automatically. Schools for the poor.		Crisis proofing As WC Social sector
3. Tax Reform	Broadening tax base and cutting marginal tax rates		Taxing the rich and spending more on the rest		As WC Income distribution
4. Financial Liberalization	Market determined interest rates	Building robust financial system. Transparency. Regulation.	Smooth booms and busts. Enhancing small business.		Crisis proofing As WC
5. Exchange Rates	Unified and managed competitive real exchange to maintain competitiveness.				Crisis proofing As WC
6. Trade Liberalization	Replace quantitative trade restrictions with tariffs of around 10–20%	The optimal level of the current account deficit depends on the uses of international funds. Promoting exports.	Smooth booms and busts Reducing developed countries' protectionism		Crisis proofing As WC
7. Foreign Direct Investment	Abolish barriers to entry for foreign firms	Technology transfer	Smooth booms and busts		As WC

Policies	Washington Consensus (WC)	Post-Washington Consensus	Washington Contentious	After Neoliberalism	After the Washington Consensus
8. Privatization	Privatization of state enterprises	Corporatization prior to privatization	Consumer-driven public services		As WC
9. Deregulation	Abolition of regulations that impede entry of new firms or restrict competition	Changes in regulatory framework Competition policy with antitrust laws integrating fair trade and fair competition laws	Protecting workers' rights Dealing openly with discrimination		As WC
10. Property Rights	Secure property rights		Repairing land markers		As WC
11. Institution Building		Counter-cyclical monetary policy Reinvigorating state institutions		Market-creating institutions Market-regulating institutions Market-stabilizing institutions Market-legitimizing institutions	Crisis proofing Second-generation of reforms
13. Price Liberalization		Below the threshold of 40% inflation is not costly to economic performance			
14. Investment				Industry policy based on a carrot-and-stick investment strategy approach	

Post-Washington Consensus, have been broadened to incorporate sustainable, egalitarian and democratic development and achieve multiple goals by improving education and initiating sustainable environmental policies. The aim is to uncover complementary strategies that advance these goals simultaneously – without ignoring unavoidable tradeoffs – as a result investing in technology, protecting the environment and increasing participation (ibid.: 1, 32–33). In the following I outline the set of policies put forward as the Post-Washington Consensus, based on Stiglitz (1998, 2000, 2002) in the order presented by the author, with the specification of how each policy relates to the Washington Consensus placed in Table 1.

The Post-Washington Consensus inferred that the macro-stabilization policy promoted by the Washington Consensus was that of controlling for inflation, even at a cost of low unemployment. However, empirical evidence revealed that only high inflation, above 40 per cent, is harmful and consequently only high inflation should be curtailed (Barro 1997). Stiglitz (1998: 18), interpreting the empirical research, concludes that the control of high inflation, above 40 per cent, should be a priority of macroeconomic stability, but attempting to reduce low levels of inflation would not contribute to economic performance. In the end, the set of policies that underlay the Washington Consensus were not sufficient for macroeconomic stability or long-term development. This is a new entry in Table 1, as price liberalization. It should be remembered that price liberalization was not one of the ten policies of the original Washington Consensus. I should add that Williamson never wrote about intentional policies to reduce inflation. For Williamson, the reduction in inflation was a byproduct of the implementation of the ten policies.

The optimum level of the budget deficit cannot be determined *a priori*. The optimum budget deficit depends on the time-specific conditions of the economy. The same can be claimed for the optimal level of the current account deficit. Current account deficits occur when a country invests more than it saves; hence, the impact of current account deficit on economic performance depends on investment. If the rate of return on investment exceeds the cost of international capital, as happens in many countries, current account deficits are sustainable (Stiglitz 1998: 11). The policy recommendation of managing the budget deficit and the current account deficit has two components. The component of the budget deficit would be placed under the fiscal discipline row in Table 1, and the component of current account deficit would be placed in the trade liberalization entry of the original Washington Consensus.

The Washington Consensus was not troubled with stabilizing output and promoting long-term growth; however, avoiding major economic contractions as a result of business cycles should be one of the most important goals of macroeconomic policy. Variability of output almost certainly contributes to uncertainty and thus discourages investment. Effective macroeconomic policy requires counter-cyclical monetary policy and a fiscal policy that allows automatic stabilizers to operate. Hence the counter-cyclical monetary policy component would be placed in the new row, institution building, created by the Post-Washington Consensus. Fiscal policy would be placed in the fiscal discipline entry of the original Washington Consensus.

The Post-Washington Consensus highlighted the microeconomic underpinnings of macroeconomic stability, in particular the importance of the process of financial reform. Financial markets explain economic recessions as a result of credit rationing and banking and firm failures. Hence, building robust financial systems is a crucial part of promoting macroeconomic stability and of course preventing economic crises. Discussions of the

East Asia crisis placed importance on the need for transparency, as reliable information is essential for effective functioning of markets. Hence, the goal 'for creating sound financial markets should not confuse means with ends: redesigning the regulatory system, not financial liberalization should be the issue' (ibid.: 18). This policy would be placed in the financial liberalization row of Table 1 of the original Washington Consensus.

The experience of the East Asian economies demonstrated that creating competition in the previously sheltered import-competing sector required promotion of competition on the export side. Concentrating on comparative advantage, international trade increased wages and expanded consumption opportunities. The promotion of exports as a policy recommendation of the Post-Washington Consensus would be placed in the trade liberalization entry of Table 1 of the original Washington Consensus. In retrospect, the process of privatization in the transition economies was poorly planned. Stiglitz (ibid.: 21) referred to the Czech Republic's voucher privatization experiment, which stalled due to the lack of an appropriate legal and institutional structure and the lack of capital markets to provide the necessary discipline to managers as well as to allocate scarce capital efficiently. 'At the time privatizing quickly and comprehensively – and then fixing the problems later on – seemed a reasonable gamble. . .. Taking that same gamble today, with the benefit of seven more years of experience, would be less justified' (ibid.: 20). An all-embracing privatization plan of state enterprises was required prior to privatization, incorporating orderly restructuring and the establishment of an effective legal structure covering contracts, bankruptcy, corporate governance and competition. In this context, corporatization would seem more appropriate, as it maintained government ownership but induced firms toward hard budget constraints, self-financing and performance measures as a basis for incentives. 'Some evidence suggests that much of the gains from privatization occur before privatization as a result of the process of putting in place effective individual and organizational incentives' (ibid.: 21). This policy would be placed in the privatization entry in Table 1 of the original Washington Consensus.

Although competition is fundamental for a productive market economy, the presence of natural monopolies inhibits competition. Then again, new technologies have changed the nature of competition in sectors that had historically been highly regulated, such as telecommunications and electricity. This latest development demands suitable changes in the regulatory structure. This policy, the regulatory structure, would be placed in the deregulation entry in Table 1 of the original Washington Consensus. Meanwhile, competition policy requires the establishment of effective antitrust laws. Competition policy extends to international trade and the rules governing competition in international trade are, regrettably, substantially different from domestic antitrust laws. To avoid these inconsistencies there should be integration of fair trade and fair competition laws in both the international and domestic arena. The competition policy recommendation would be placed in the deregulation entry of the original Washington Consensus.

The Post-Washington Consensus stipulates that while the state is often involved in too many things, focusing on the fundamentals does not justify a minimalist government. The government and private sector activities are complementary. Countries with successful economies have governments that are involved in a wide range of activities, for instance regulation, social protection and welfare. The government should undertake actions that make markets work better and correct market failures, for example building human capital and transferring technology. Without government intervention the market will not only tend to under-provide human capital, but will also discriminate against the poor. Thus government's role is to provide public education, making education more affordable and enhancing access to funding. This human capital policy recommendation would be placed in Table 1 in the public expenditure priorities entry of the original Washington Consensus. In addition, without government action there will be too little investment in the production and adoption of new technology. Policies to facilitate the transfer of technology are imperative, mainly through foreign direct investment. But developed countries, often under pressure from special interest groups, restrict the dissemination of technology. This results in slowing the overall pace of innovation and adversely affects living standards in both rich and poor countries. This policy recommendation would be placed in Table 1 in the foreign direct investment entry of the original Washington Consensus.

It is not just economic policies and human capital that determine economic performance but also the quality of a country's institutions. Those institutions in effect determine the environment within which markets operate. A weak institutional environment allows greater arbitrariness on the part of state agencies and public officials. Thus, an essential responsibility of the government is reinvigorating state institutions. This policy of building institutions is a new entry as a result of the Post-Washington Consensus. The Post-Washington Consensus is presented and contrasted with the original Washington Consensus in Table 1.

The nature of the debate between Stigliz (Post-Washington Consensus) and Williamson (Washington Consensus) was quite dismissive, even incorporating some personal attacks. Williamson's (2000: 261) response was very critical of the initiation of the concept of the 'Post-Washington Consensus'. If the Post-Washington Consensus involved the rejection of the interpretation of the consensus as a 'neoliberal agenda' or 'market fundamentalism', Williamson would approve. If there is a demand to go beyond the Washington Consensus involving the combination of institutions with the set of policies embodied in the original version of the Washington Consensus, Williamson would also endorse it. But if the Post-Washington Consensus puts forward a set of policies that provide the poor with very little, in this case Williamson would reject it, as 'it seems a somewhat odd crusade' (*op. cit.*).

Williamson admitted that he was not questioning Stiglitz's evidence, 'but his frequent resort to polemical language is only one degree less unscientific' (ibid.: 5). Williamson was surprised that Stiglitz stipulated that the Washington Consensus promoted voucher privatization. This was not really true, as Washington had never displayed any particular preference for voucher privatization. Even so, Williamson (ibid.: 256) agreed with Stiglitz that it was more important to implement a well-conducted privatization program than to do it speedily. The insider-voucher privatization that occurred in Russia resulted in the appropriation of state assets for the benefit of the elite, which is not consistent with the goals of the Washington Consensus. Williamson criticized rapid privatization and was 'skeptical about voucher privatization' (*op. cit*.). A well-conducted privatization, which was consistent with the Washington Consensus, required competitive bidding to increase efficiency and improve public finances with benefits to all, including the poor. Williamson (*op. cit.*) also agreed with Stiglitz about the importance of 'social and organizational capital', but he preferred to name this capital 'social cohesion' and 'good institutions'. Williamson (2004a: 3) also questioned Stiglitz's argument that moderate inflation had no measurable growth effect and no serious welfare consequences; he finds unacceptable that Stiglitz favors faster inflation, larger budget deficits and regressive inflation tax. Williamson (*op. cit.*) is convinced that the Phillips curve is vertical in the long run, in this way denying acceptance of more than a minimal inflation rate. Williamson (2003a: 326) invited Stiglitz to debate the Washington Consensus; however, Stiglitz declined the invitation, as there was little real disagreement about substance only about semantics, which are not worth debating.

In actual fact, for Williamson, Stiglitz's (alleged) Post-Washington Consensus represents Stiglitz's personal perception on economic development. For Williamson there was no Post-Washington Consensus in creation! Williamson's (2002: 1) conclusion was that, 'the title and the cover of the rhetoric and the repeated attacks on the IMF and the author's avowed sympathy for the anti-globalization protesters may give the impression that this book [*Globalization and its Discontents*] is just a polemic intended to capitalize on the author's Nobel Prize.' Stiglitz's ulterior motive, based on Williamson's assessment, was the hope 'that the empathy he expresses will win the anti-globalists to his side, so that they will endorse the sensible positions he espouses' (ibid.: 5).

Obviously, the outcome of the debate between Stigliz (Post-Washington Consensus) and Williamson (Washington Consensus) is quite confusing, as there appears to be no common point of agreement. This is because the debate was unfocused. The reference point, ideas and proposals of the Washington Consensus were produced as a result of the dismal Latin American experience with state intervention; while the reference point, ideas and proposals of the Post-Washington Consensus are drawn from the East Asian miracle. The participants of the debate were talking to each other but not listening to each other, as they were talking within a different context. Each had in mind the historical experience of a particular region that was not relevant to other regions. In other words, as the applicability of the Washington Consensus was context specific, so the alternative view and proposal, the Post-Washington Consensus, was also context specific. The protagonist and the critic of the Washington Consensus were talking past each other.

The Washington Contentious

The Carnegie Endowment for International Peace and the Inter-American Dialogue sponsored the Commission on Economic Reform in Unequal Latin American Societies, whose findings originated the term Washington Contentious (Birdsall et al. 2001). The rationalization for the report was the realization that while Latin America for over a decade pursued the policies of the Washington Consensus 'with considerable vigor', the outcome was disheartening and a new strategy was required (Mathews & Hakim 2001: iii). By this time, the heads of state of Latin American countries called attention to poverty reduction and equity without sacrificing growth, so the question arose: 'What steps do they [Latin American countries] have to take to turn that commitment into action?' (*op. cit.*). The report recommended '10 + 1' policy initiatives to substitute the Washington Consensus, with the overriding goal of reducing poverty and improving equality in Latin America and the rest of the world. The authors of this report, in contrast to Williamson and Stiglitz, recognized that a consensus did not exist; hence, instead of consensus, the policy recommendations were 'contentious'.

The context of the report is the unsatisfactory outcomes of the original Washington Consensus policies implemented in Latin America, especially with respect to social development indicators. Nevertheless without economic reform the situation would have been worse; hence the Washington Contentious does not reject the Washington Consensus. Even though people in Latin America were suffering from 'reform fatigue', governments should persevere with the core policies of the Washington Consensus. A variety of reasons were presented for the disappointing social performance of Latin America. Some suggested that the Washington Consensus was really not implemented consistently and completely; others pointed out the inconsistencies regarding the sequence of reforms and the remaining commentators pointed to globalization. Birdsall et al. (2001: 9), the authors of the report, argued that the experience of Latin America demonstrated the deficiencies of the consensus in that it was simply too narrow. A new strategy that embraced equity and poverty reduction was required, in the form of the '10 + 1' policy recommendations of the Washington contentious. In the following, I outline the '10 + 1' policy instruments of the Washington Contentious, based on Birdsall et al. (*op. cit.*), in the order presented by the authors plus the stipulation of how each policy relates to the Washington Consensus and is placed in Table 1.

There is an agreement with the Washington Consensus that large budget deficits (above 2 per cent of GDP) and public debt are undesirable, as they impose cost on the poor. However, rule-based fiscal discipline safeguards the consumption level of the poor, encourages investment and reduces poverty by creating jobs and increasing growth. Fiscal discipline not only implies a healthy budget, as the Washington Consensus stipulated, but also transparent rules and procedures. Fiscal discipline must become state policy by establishing institutions and mechanisms that determine the process of decision making regarding spending. Hence, this policy tool would be placed under the fiscal discipline row of the original Washington Consensus. Fiscal discipline would create the prerequisites for fiscal and monetary policies, together with banking and other financial regulations, as a means to reduce volatility and minimize the risk of crisis. Rules and institutions are required to manage volatility. The original Washington Consensus contained an entry to abolish restrictions on foreign direct investment; so this policy is common. The policy tool of smoothing booms and busts would be placed in the entry fiscal discipline, financial liberalization, foreign direct investment, and trade liberalization of the original Washington Consensus.

Public expenditure should provide an income floor for the poor, the working- and middle-class. Effective counter-cyclical social safety nets that trigger automatically should be in place. This policy tool would be placed under the public expenditure entry of the Washington Consensus. Increasing school autonomy, together with lower subsidies for the better off, for higher education and increased public spending on schools and preschools are essential for economic development. Williamson argued in the original Washington Consensus in favor of expenditure on education and human capital. This policy tool would be place in the public expenditure priorities row created by the original Washington Consensus.

Closing income tax loopholes and reducing tax evasion would increase tax revenue without increasing the burden on the working- and middle-classes, as the dominant source of tax revenue in Latin America is consumption taxes, which are regressive. The tax base can be expanded by increasing effective personal income tax without creating incentive problems. Capital flight as a result of taxing capital has been overstated. In the original Washington Consensus, tax reform aimed to improve horizontal equity. This policy tool would be placed under the tax reform row of the original Washington Consensus.

Enhancing the viability of small business would create jobs through the development of a regulatory and supervisory framework appropriate to microfinance, encouraging its expansion while ensuring sound risk management. This policy is consistent with abolishing preferential interest rates, establishing market-determined interest rates, and providing credit on market-based criteria, as mentioned in the original Washington Consensus. This policy tool, enhancing the viability of small business, would be placed under the financial liberalization entry of the Washington Consensus.

Productive employment is not only about income, it is also about dignity and a place in society. Hence, workers' rights of association and collective bargaining, independent and democratic unions, social protection, and empowering workers to adapt to economic change all ensure job mobility and growth. This policy tool would be placed in the entry deregulation of the original Washington Consensus. Also, there was a need to break down the social and political barriers that damage people of colour, indigenous people and women, and to develop programs to protect women against domestic violence. This policy tool of combating racial and ethnic differences would also be placed in the deregulation entry of the original Washington Consensus. In addition, Latin America is characterized by the highest land inequality of any region. Land reform and avoiding giveaways are essential. This policy tool would be placed under the property rights entry of the original Washington Consensus.

All public services have been characterized by lack of funding, access and quality in Latin America. Privatization has generally resulted in increased quality and enhanced availability of services without undue increases in the cost to consumers. A new culture in service delivery requires the provision of infrastructure, public health and regulatory services that target the poor. The government would maintain its responsibilities associated with the environment, public health and consumer protection, as stipulated in the Washington Consensus. The consumer-driven public services policy would be placed in the privatization entry of the original Washington Consensus.

Lastly, barriers to agriculture and textile imports by developed countries aggravate poverty and reinforce inequality. Foreign aid is no substitute for open markets. Eliminating agricultural support policies in OECD countries would shift production away from inefficient producers in the OECD toward lower-cost farmers in the developing world. This would help small producers and increase the demand for agricultural labour. Higher wages for workers in agriculture could eventually raise wages for unskilled urban workers as well. While the original Washington Consensus stipulates import liberalization, the abolition of quantitative restrictions and infant industry protection for Latin America, the same should be implied for the rest of the world, including developed countries. This policy tool would be placed in the trade liberalization entry of the original Washington Consensus.

In assessing the Washington Contentious and defining the nature of the debate, Williamson (2003b: 15) commented that the 10 (actually 10 + 1) reforms constituted a sensible list, as they do not reject the Washington Consensus, but he questioned whether they could all improve equity without diminishing growth. For example, the first two proposals, rule-based fiscal discipline and smoothing booms and busts, were as important for increasing the average rate of growth as for improving income distribution. But these are not the only factors, and consequently 'there is no intellectual justification for arguing that *only* win–win solutions deserve to be considered' (ibid.: 16). Nevertheless, the Washington Contentious 'provides an admirable complement to the [Washington] Consensus' (ibid.: 329) and hence is 'a complement to the Washington Consensus, not a substitute' (Williamson 2002: 3). In this case, the outcome of the debate between the protagonist and the 'critics' revealed a quite sympathetic result. Actually it appears that this was also the goal of the authors of the report, as from the beginning they stipulated the benefits of reform in Latin America as a result of the Washington consensus. Birdsall, de la Torre and Menezes did not break away from the Washington Consensus but rather supplemented it with necessary policies identified as the result of the changing economic conditions with the passage of time. The Washington Contentious can be interpreted at the time as an updated version of the Washington Consensus. Within the same context. Latin America, by adding, not subtracting, new policies and by recognizing that a consensus did not exist anymore, something for which Williamson (2000: 262), as already mentioned, was in agreement.

After Neoliberalism

Rodrik did not name his development program. As such, I would use the term 'After Neoliberalism', the title of Rodrik's (2002) paper, to name and define the origin of this set of policies. For Rodrik, the goal should be to offer a set of policy guidelines for promoting development '*without* falling into the trap of having to promote yet another impractical blueprint that is supposed to be right for all countries for all times' (ibid.: 2, emphasis in original) that 'leaves reformers with impossibly ambitious, undifferentiated, and impractical policy agendas' (Rodrik 2004: 1). This new set of policy guidelines for promoting development should not reject mainstream economics, economic growth or globalization. Mainstream economic analysis offered universal principles that were required in any reasonable development and good management program. Nevertheless these principles 'do not map into unique institutional arrangements or policy prescriptions' (Rodrik 2002: 2). Neoclassical economic analysis is a lot more flexible than is usually perceived, as neoclassical principles are institution free and neoclassical economic analysis does not produce a particular set of institutions; institutional 'anomalies' can be comprehended by neoclassical reasoning ('good economics'). Hence, 'neoliberalism is to neoclassical economics as astrology is to astronomy. In both cases, it takes a lot of blind faith to go from one to the other' (*op. cit.*). Also, critics of the consensus should not be against economic growth as it is the means to reduce poverty and contributes to environmental sustainability. Lastly, globalization should not be rejected.

Rodrik argued that the empirical evidence on growth and its determinants can be summarized by the following four propositions: growth spurts are associated with a narrow range of policy reforms; policy reforms typically combine elements of orthodoxy with unorthodox institutional practices; institutional innovations do not travel well; and sustaining growth is more difficult than igniting it. The context of the set of policies associated with After Neoliberalism is the successful countries of China, India and East Asia combined. In the following, I outline the policy instruments of the After Neoliberalism program based on Rodrik (2002, 2004) in the order presented by the author, outlining how each policy relates to the original Washington Consensus and where it should be placed in Table 1.

Encouraging investment is a short-run strategy with the goal of initiating or stimulating growth. Entrepreneurship and R&D are undersupplied in the market, resulting in a negative impact on economic growth. Thus, an industrial policy – a coordination device to stimulate socially profitable investments (Rodrik 2004: 11) – would be required with an investment strategy based on a carrot-and-stick approach. The approach would take the form of encouraging investment in non-traditional sectors (carrot) and removing investments that have failed (stick). East Asian governments provided both the carrot (promotion) and the stick (discipline), but the Latin American governments provided the stick (through competitive markets and free trade) but very little promotion (few carrots). The essentials of the industrial policy cannot be determined *a priori* as they would differ considerably for each country. 'No single instrument will work everywhere' (Rodrik 2002: 5). Hence there is an important role for the government to exercise leadership over the private sector in the form of providing rents to facilitate the discovery process. Interestingly, a comprehensive complementary institutional framework is not necessary to initiate growth. I am creating a new row in Table 1 titled Investment, where this policy would be placed under the column 'After Neoliberalism'.

Institution building is a medium- and long-term strategy with the goal of maintaining or sustaining growth, granting the economy resilience to shocks and maintaining productive dynamism. Cross-national studies demonstrated that the single most important determinant of long-term growth and explaining differences in income levels was neither geography nor trade but rather the quality of institutions. Most importantly, institutional arrangements are sensitive to local opportunities and constraints and hence the development of an optimum institutional structure requires experimentation, as high-quality institutions map onto multiple institutional arrangements. The successful countries – China, India, South Korea and Taiwan – combined unorthodox and orthodox institutional arrangements. Four types of institutions are required to sustain growth and avoid shocks and they would be placed in the institutional building row of Table 1: market-creating institutions, i.e. property rights and contract enforcement; market-regulating institutions to deal with externalities, scale economies and informational incompleteness; and market-stabilizing institutions that involve monetary and fiscal management and market legitimizing institutions incorporating social protection and insurance, redistributive policies, institutions of conflict management and social partnerships.

Rodrik accepted that a feature of the aforementioned 'After Neoliberalism' growth plan is that it cannot provide identical instructions for every country, as both strategies, investment and institution building, are country specific requiring local knowledge and hence experimentation. Local conditions matter since neoclassical principles are present but institution-free. Domestic adaptation through experimentation would allow the development of institutional structures based on local knowledge that solve specific developmental bottlenecks of that particular country. 'What the world needs right now is less consensus and more experimentation' (ibid.: 9). Consequently, experimentation requires an active state and civil society to foster entrepreneurship and institution building. As a result, there would be a plurality of developmental processes around the globe, not as a result of integration but rather as a product of different national practices and institutional arrangements.

In Williamson's (2004a: 15) response, identifying the nature of the debate, he qualifies Rodrik's use of the term 'neoliberalism' as referring to the most recent dominant policy prescription of the United States. It is not the 'neoliberalism' defined by the Washington Consensus as a neoliberal agenda. Intriguingly, with regard to Rodrik's analysis, Williamson (*op. cit.*) states that, 'with most of that, I wholeheartedly agree' and 'I have some sympathy with this [Rodrik's] critique' (Williamson 2004–2005: 202). Countries sometimes, Williamson stipulates, benefit from heterodox programs. Williamson also commended Rodrik's appeal to not discard the useful and informative principles of mainstream neoclassical economics. However, while Rodrik had an interesting argument that universal principles of good management do not map uniquely into particular institutional arrangements or policy prescriptions, he unfortunately carried this argument too far. Rodrik goes a bit too far, based on Williamson's assessment, in denying economists the ability to provide the general principles in devising reforms. Policies are established by empirical analysis involving formal econometric evidence and, of course, less formal attempts to make sense of what was actually happening. Policy makers have to be open-minded in the sense that the standard argument might not apply but that does not underrate the need to discover regularities and standard occurrences; 'we do not leave the reader pondering questions' (Williamson 2004a: 17) and 'we can do better for our clients than pose questions' (Williamson 2004–2005: 205). Policy makers need to provide answers and solutions, even though sometimes there might only be standard answers and solutions, with the limitation that the answer might differ in particular circumstances. Rodrik's argument that there are positive externalities associated with identifying new export products, thus justifying government action, 'is persuasive, but does not make a convincing case' (Williamson 2004a: 17). Williamson uses the classical argument against government intervention: How can the government know which activities to subsidize *ex ante*? Does the government have better information than the market to make the right decisions? Hence, there is no credible argument for subsidizing all or selective investment.

In conclusion, Rodrik's disagreement with the Washington Consensus rested on the recognition of country specificity rather than on particular policy proposals. Williamson is in agreement, though, as sequencing needs to be decided by each country to reflect its initial country conditions and successful reformers are those who identify particular constraints that are binding and are required to be included in the reform program. Hence, even for Williamson, now it makes sense that countries sometimes might implement heterodox proposals. 'However, I believe Rodrik is altogether nihilistic in implying that the most economists can usefully do is to spell out the questions to be asked, rather than marshalling the evidence for expecting a particular answer to be the norm. Sadder and wiser 15 years later, I no longer expect those particular answers to command a consensus' (Williamson 2004a: 18).

At the end, the outcome of the debate between Rodrik (After Neoliberalism) and Williamson (Washington consensus) reveals the common analytical framework of mainstream (neoclassical) economic theory, but further than this there appears to be no substantial accord. In this case, as well, the debate was unfocused. Rodrik was citing the East Asian miracle, as did Stiglitz, but he also extended his reference point to include examples of policies from China and India. Thus, instead of narrowing the context to make the debate more focused, Rodrik extended the field of study. Rodrik's reference to heterodox programs made the debate even more imprecise and puzzling, moving away from the simple homogeneous policy message delivered by the Washington Consensus. Again, as with Stiglitz, the applicability of the Washington Consensus was context specific; the alternative view and proposal, After Neoliberalism, was also context specific. The participants of the debate, again, were talking and listening past each other.

After the Washington Consensus

The origin of the term is located in Kuczynski and Williamson's (2003) *After the Washington Consensus: Restarting Growth and Reform in Latin America*. The goal of the new agenda is to correct all the aforementioned problems stated as alternatives to the original Washington Consensus. As has been demonstrated, 'the Washington Consensus did not contain all the answers to the questions of 1989, let alone that it addresses all the new issues that have arisen since then. So of course we need to go beyond it' (Williamson 2004b: 14). An effort is made to not 'repeat ad nauseam' the phrase 'Washington Consensus'. The naming of the new set of policies 'After the Washington Consensus' was a conscious act as there is no attempt to establish a consensus again; the set of policies offered are those 'that the authors of this book believe are needed' (Williamson 2003a: 330) and '. . .it [After the Washington Consensus] is not presented as ultimate truth' (Williamson 2003d: 321). The context of the set of policies 'is all about reforms that need to be made in Latin America' (Williamson, 2003b: 18) as from 2002. In the following, I outline the policies of the *After the Washington Consensus* based on Kuczynski and Williamson (2003) in the order presented by the authors, stipulating how each policy relates to the original Washington Consensus and placing it in Table 1.

Crisis proofing is an objective of highest priority. Governments should attempt to reduce vulnerability to crises and stabilize the macroeconomy. Volatility also explains the high unequal distribution of income. This policy, crisis proofing, would be placed in Table 1 within the following entries of the original Washington Consensus: fiscal discipline, public expenditure priorities, financial liberalization, exchange rates, trade liberalization and institution building. Following is the **completion** of the original reforms of the Washington Consensus rather than reversing them. The original formulation of the Washington Consensus was a sensible yet incomplete reform agenda (Williamson 2004–2005: 196). First, the consensus suggested liberalizing the labor market, so as to encourage labor back into the formal sector where it will get at least minimal social protection. Second was complementing import liberalization with better access to export markets in developed countries. Third was continuing the privatization program, even though in some cases it was carried out badly, and supplementing financial liberalization by the strengthening of prudential supervision. The Washington Consensus also emphasized that 'reducing government intervention in the economy is not the same as a desire for a minimalist government' (Williamson 2003d: 308). This policy would be placed in Table 1 in all the entries of the original Washington Consensus.

Initiating the second-generation reforms in the 1990s was a key innovation in development economics: recognition of the crucial importance of institutions in ensuring that the economy functions effectively. A vital role for the state, which is perfectly consistent with mainstream economics, is creating and maintaining effective institutions. However, a mistake would be the initiation of an industrial policy, a program that requires government to 'pick winners'. There is more sympathy for a 'cousin' of industrial policy: a national innovation system. There is also the recognition that the second generation of reforms would differ for each country and cannot be determined *a priori* from the agenda, as it was also stipulated by Rodrik. Williamson (2004b: 13) recognizes that this is a departure from the original Washington Consensus, which focused on policies rather than institutions. This policy would be placed in the institution-building row of Table 1.

Growth is always pro-poor, as benefits trickle down. But the poor will not benefit so much because they do not have many resources to start with, for example as in Latin America. Hence there is a case to be made for supplementing the gains of growth with a degree of income distribution and an effective social sector. Progressive taxes are the traditional means for income redistribution, namely levying heavier taxes on the wealthy. While tax reforms have been implemented to broaden the tax base in Latin America by shifting from direct to indirect taxation, Williamson (2003b: 16) now is in favor of reversing the process and increasing direct tax revenue. An increase in tax revenue should be used to reduce inequality by expanding opportunities for the poor, spending on basic social services, providing a social safety net, education and health. However, the strategy focuses more on measures to empower the poor to exploit potentialities ('bootstraps') rather than on a massive redistribution of income through taxing ('band-aids'). It is a long-run strategy to allow access to assets that will enable the poor to earn their way out of poverty by improved educational opportunities, titling programs to provide property rights to the informal sector, land reform and micro-credit. It is quite interesting to note that Chapter 3 of *Bootstraps, not Band-Aids: Poverty, Equity, and Social Policy* was co-authored by Nancy Birdsall, who was the co-author of the Washington Contentious. Her influence was astounding in this policy formulation. Let me remind the reader that entry 5 in the Washington Contentious was 'taxing the rich and spending more on the rest', which now is consistent with the After the Washington Consensus. In Table 1, income distribution would be placed in the tax reform entry of the original Washington Consensus and the social sector in the public expenditure priorities.

After the Washington Consensus changes the nature of the debate, as Williamson becomes more accommodating by reflecting on the Washington Consensus. In many ways, After the Washington Consensus is an answer to the critics, with the goal of ending the debate based on the aforementioned statements by Williamson; it is the final stage in the evolution of the debate. With After the Washington Consensus, Williamson asserted that consensus no longer exists and added new policies without dismissing the original ones. The outcome of the debate appears to be a synthesis of the original proposal, incorporating elements of the criticisms. In After the Washington consensus, the original policies were supplemented by crisis proofing, espoused by Stiglitz, income distribution and the social sector, espoused by Birdsall *et al.*, and institutions, espoused by Stiglitz, Birdsall *et al.* and Rodrik, validating the argument that it is a new, actually final, stage in the evolution of the debate, proposing a new fused policy agenda. This is done with relative ease because for all the aforementioned authors the common usage of mainstream (neoclassical) economics is the unifying factor behind the disparate and seemingly contradictory views; essentially they are using the same theory upon which their policy proposals are built. Ultimately, Williamson is integrating, fully or partially, the disagreements of his critics in his final version effectively ends the debate and accepts that there is no such thing as a consensus.

Conclusion

Williamson repeatedly denies the perception that the Washington Consensus was a consensus on policy implementation for all developing countries. It appears that this may be associated with problems of (mis)interpretation, originating not necessarily from what Williamson wrote (or did not write). Rather, it may be the result of the inclination among international donor organizations to uncover simply homogenous policy messages to offer to their client countries as a way to tie aid to performance through conditionality, seeing that donors do not need to justify foreign aid to taxpayers of their own countries. Further research would be appealing to consider not only how ideas on international development are generated, interpreted, reproduced and critiqued, but also to examine the processes by which these ideas are adopted by the international donor community and implemented through conditionality in a manner different than what they were intended for.

Nevertheless, every attempt to define a consensus has the inadvertent result of stimulating dissent. The response to the Washington Consensus, as it was mostly interpreted as a neoliberal manifesto, reasonably stimulated an anti-Washington Consensus. The anti-Washington Consensus refers to the proposals that rejected fully or partially the Washington Consensus and put forward an alternative set of policies for economic development. If we can infer that the Washington Consensus was a 'revolution' in economic thought, as with every 'revolution' in economic thought there has always been a 'counter-revolution' and in this case it took the form of what I name the anti-Washington Consensus. The evolution of the debate on economic development, as it is demonstrated in this paper, resulted in Williamson fully or partially accepting, in the end, the criticisms associated with the original Washington Consensus.

The new set of policies in the After the Washington Consensus should be viewed as the result of the natural evolutionary process in the development of economic thought; as the result of agreement and disagreement, interpretation and misinterpretation, acceptance and rejection, compromise and confrontation. In addition, the new set of policies in the After the Washington Consensus should be viewed as a response to the ever-changing economic conditions; the economy is never static. With the establishment of the After the Washington Consensus, Williamson asserted that consensus no longer exists and added new policies without dismissing the original ones. I argue that Williamson is partially accepting the criticisms because he did not dismiss the original set of policies, as he was insisting on the completion of the original reforms. But this time Williamson was not presenting the new set of policies as a (real or imaginary) consensus. This, of course, is a retreat from the original powerful argument that there was a (real or imaginary) consensus. Nevertheless presenting the original set of policies as a consensus produced strong hostility, which probably Williamson was not willing to confront again.

In conclusion, the evolution of the original Washington Consensus, then the 'misinterpretation' of the Washington Consensus as a neoliberal manifesto, then the Post-Washington Consensus, then the Washington Contentious, then the After Neoliberalism and then, finally, the After Washington Consensus were all essential elements in the debate regarding the necessary policies for economic development. It appears that the differences between the influential critics of the Washington Consensus, such as Stiglitz, Birdsall et al. and Rodrik, and the Washington Consensus are not black versus white, but rather different shades of grey. Nevertheless, all these alternative sets of policies were indispensable components for the establishment of a consensus – if only a consensus could ever be achieved! Ultimately, there may likely be only an 'uncertain consensus' (Santiso 2004: 841).

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