What Should the World Bank Think about the Washington Consensus?

John Williamson

The phrase "Washington Consensus" has become a familiar term in development policy circles in recent years, but it is now used in several different senses, causing a great deal of confusion. In this article the author distinguishes between his original meaning as a summary of the lowest common denominator of policy advice addressed by the Washington-based institutions (including the World Bank) and subsequent use of the term to signify neoliberal or market-fundamentalist policies. He argues that the latter policies could not be expected to provide an effective framework for combating poverty but that the original advice is still broadly valid. The article discusses alternative ways of addressing the confusion. It argues that any policy manifesto designed to eliminate poverty needs to go beyond the original version but concludes by cautioning that no consensus on a wider agenda currently exists.

Ten years ago I invented the term "Washington Consensus" to refer to the lowest common denominator of policy advice being addressed by the Washington-based institutions to Latin American countries as of 1989 (Williamson 1990). While it is jolly to become famous for coining a term that reverberates around the world, I have long been doubtful about whether my phrase served to advance the cause of rational economic policymaking. My initial concern was that the phrase invited the interpretation that the liberalizing economic reforms of the past two decades were imposed by Washington-based institutions (for example, see Stewart 1997) rather than having resulted from the process of intellectual convergence that I believe underlies the reforms.[1] Richard Feinberg's "universal convergence" (in Williamson 1990) or Jean Waelbroeck's "one-world consensus" (Waelbroeck 1998) would have been a much better term for the intellectual convergence that I had in mind.

I have gradually developed a second and more significant concern, however. I find that the term has been invested with a meaning that is significantly different from that which I had intended and is now used as a synonym for what is often called

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“neoliberalism” in Latin America, or what Geeorge Soros (1998) has called “market fundamentalism.” When I first came across this usage, I asserted that it was a misuse of my intended meaning. I had naïvely imagined that just because I had invented the expression, I had some sort of intellectual property rights that entitled me to dictate its meaning, but in fact the concept had become public property.

The battle of economic ideas, as McCloskey (1998) has argued, is fought to a significant extent with rhetoric. The use of a term with dual meanings and strong ideological overtones can therefore pose serious dangers not only of misunderstanding but also of inadvertently prejudicing policy objectives. Specifically, there is a real danger that many of the economic reforms favored by international development institutions—notably macroeconomic discipline, trade openness, and market-friendly microeconomic policies—will be discredited in the eyes of many observers, simply because these institutions are inevitably implicated in views that command a consensus in Washington and the term “Washington Consensus” has come to be used to describe an extreme and dogmatic commitment to the belief that markets can handle everything.

The objective of this article is to consider what should be done to minimize the damage to the cause of intellectual understanding, and therefore of rational economic reform, that is being wrought by the current widespread use of the term “Washington Consensus” in a sense different from that originally intended. Would it be productive, for example, to insist that the original usage is the correct one? Or should one simply refuse to debate in these terms? Is it possible to escape by declaring fidelity to some “post–Washington Consensus”? The first stage in answering these questions is a careful examination of the semantic issues involved.

The Original Version

My original paper (Williamson 1990) argued that the set of policy reforms that most of official Washington thought would be good for Latin American countries could be summarized in 10 propositions:

- Fiscal discipline
- A redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, such as primary health care, primary education, and infrastructure
- Tax reform (to lower marginal rates and broaden the tax base)
- Interest rate liberalization
- A competitive exchange rate
- Trade liberalization
- Liberalization of inflows of foreign direct investment

- Privatization
- Deregulation (to abolish barriers to entry and exit)
- Secure property rights.

The need for the first three reforms is, so far as I am aware, widely accepted among economists. Nevertheless, when I reviewed the progress that Latin American countries had made in implementing the recommended set of policies several years later (Williamson 1996), it appeared that the least progress had come in redirecting public expenditure priorities. The other seven reforms have stimulated a measure of controversy and therefore merit comment.

In my original paper I specified interest rate liberalization as the fourth reform. I am now well aware that many economists have reservations about that formulation. As a matter of fact, I have such reservations myself: in Williamson and Mahar (1998) interest rate liberalization is identified as merely one of six dimensions of financial liberalization. Moreover, Stiglitz (1994) has argued that interest rate liberalization should come toward the end of the process of financial liberalization, inasmuch as a ceiling on the deposit interest rate (equal to the Treasury bill rate, he suggests) might provide a constraint on gambling for redemption. I find this argument persuasive and long ago changed my description of the fourth element of the Washington Consensus to financial liberalization. More recently Stiglitz (1998) has expressed a much more basic objection to financial liberalization, arguing that the success of some East Asian countries stemmed importantly from their policy of directing credit to particular industries rather than allowing the market to determine the allocation of credit. That argument is highly contentious, especially in the aftermath of the East Asian economic crisis of 1997–98.

My fifth choice—a competitive exchange rate—was not, I have concluded, an accurate report of Washington opinion. I suspect that by 1989 a majority of economists, in Washington as elsewhere, were already in favor of either firmly fixed or freely floating exchange rates and hostile to the sort of intermediate regime that in my judgment gives the best promise of maintaining a competitive exchange rate in the medium term. (My own preference remains an intermediate regime of limited flexibility, provided that excludes an old-fashioned adjustable peg, even if such a regime is more likely to spawn speculative pressures than a floating rate.) But note that the East Asian countries did by and large achieve and maintain competitive exchange rates, at least before about 1996 (and even after 1996 only Thailand failed to do so).[2]

My sixth reform was trade liberalization. Here I see little reason to doubt that I reported accurately on opinions in the international financial institutions and the central economic agencies of the U.S. government (although parts of Congress and the Department of Commerce are not noted for their dedication to liberal trade). But this is another area where critics can rightly claim that the policies that nurtured the East Asian miracle were, at least in some countries, at odds with the policies endorsed in the Washington Consensus. Much the same is true of foreign direct investment, except that the East Asian economies were less hostile to a policy of openness; only the Republic of Korea rejected most foreign direct investment during the years of the miracle.

Privatization commanded a lot of support in Washington, where it had been put on the international agenda by James Baker when he was secretary of the U.S. Treasury, in his speech to the World Bank–International Monetary Fund Annual Meetings in Seoul in 1985. Privatization was controversial in much of the rest of the world, where one's attitude to public versus private ownership had long been the litmus test for qualifying as left-wing or right-wing. Deregulation was rather less politically polarizing: it had been initiated by the centrist Carter administration in the United States, rather than by the right-wing Thatcher government that pioneered privatization in the United Kingdom. Deregulation, however, was not a policy that reverberated in East Asia, where the industrial policies pursued in some (though not all) countries ran very much in the opposite direction. The notion of the importance of secure property rights had come both from Chicago's law and economics school and from the work of Hernando de Soto in Peru. The concept was presumably offensive to those who resisted the advance of the market economy, but this breed was extinct in Washington by 1989 (if, indeed, it had ever existed there). My impression is that the institution of private property was somewhat more securely entrenched in East Asia than in most of the rest of the developing world.

So much for the content of my version of the Washington Consensus. What inspired it? In an immediate sense, it originated from an attempt to answer a question posed to me by Hans Singer during a seminar at the Institute for Development Studies: what were these "sensible" policies that were being pursued in Latin America (and that I was arguing justified approval of the Brady Plan to provide these countries with debt relief)? In a more profound sense, my effort was an attempt to distill which of the policy initiatives that had emanated from Washington during the years of conservative ideology had won inclusion in the intellectual mainstream rather than being cast aside once Ronald Reagan was no longer on the political scene.[3] Taking an even longer perspective, my version of the Washington Consensus can be seen as an attempt to summarize the policies that were widely viewed as supportive of development at the end of the two decades when economists had become convinced that the key to rapid economic development lay not in a country's natural resources or even in its physical or human capital but, rather, in the set of economic policies that it pursued.

Let me emphasize that the Washington Consensus as I conceived it was in principle geographically and historically specific, a lowest common denominator of the reforms that I judged "Washington" could agree were needed in Latin America as of 1989. But in practice there would probably not have been a lot of difference if I had undertaken a similar exercise for Africa or Asia, and that still seemed to be the case when I revisited the topic (with regard to Latin America) in 1996 (Williamson 1997). This doubtless made it easier for some to interpret the Washington Consensus as a policy manifesto that its adherents supposedly believed to be valid for all places and at all times.

Current Usage

The following is a selection of recent definitions of the Washington Consensus that I happened to stumble across. (I have undertaken no bibliographic research to compile this list.)

"A die-hard liberalization advocate (or a Washington-consensus believer). . . . " (Ito 1999)

". . . the self-confident advice of the 'Washington consensus'—free-up trade, practice sound money, and go home early. . . ." (Vines 1999)

" . . . the Washington Consensus: policy prescriptions based on free market principles and monetary discipline." (Hamada 1998)

"The Washington Consensus had the following message: 'Liberalize as much as you can, privatize as fast as you can, and be tough in monetary and fiscal matters.' " (Kolodko 1998)

"The bashing of the state that characterized the policy thrust of the Washington Consensus. . . ." (United Nations 1998)

"This new imperialism, codified in the 'Washington Consensus'. . . ." (Alam 1999)

"The Brazilian crisis has reignited the debate over the so-called Washington Consensus on the creation of a laissez-faire global economy." (Rajan 1999)

In none of these examples is my phrase used in the sense that I originally intended. On the contrary, when I coined the term in 1989, the market fundamentalism of Reagan's first term had already been superseded by the return of rational economic policymaking, and one could discern which ideas were going to survive and which were not (monetary discipline but not monetarism; tax reform but not tax-slashing; trade liberalization but maybe not complete freedom of capital movements; deregulation of entry and exit barriers but not the suppression of regulations designed to protect the environment).

How is it that a term intended to describe a technocratic policy agenda that survived the demise of Reaganomics came to be used to describe an ideology embracing the most extreme version of Reaganomics? The closest I can come to understanding this is to note that my version of the Washington Consensus did indeed focus principally on policy reforms that reduced the role of government, such as privatization and the liberalization of trade, finance, foreign direct investment, and entry and exit. It did this because the orthodoxy of the generation whose ideas were embodied in the practices being challenged in 1989 had been much more statist than was by then regarded as advisable, and hence the policy reforms that were needed at that time were all in the direction of liberalization. This need for liberalization did not necessarily imply a swing to the opposite extreme of market fundamentalism and a minimalist role for government, but such boring possibilities were repressed in the ideological debates of the 1990s. For it is certainly true that the Washington Consensus came to be used to describe an ideological position, a development that Naim (2000) argues resulted from the world's acute need for a new ideology to provide a focus for debate in place of the god that had failed. My qualifications about the Washington Consensus being an agenda for a specific part of the world at a particular moment of history were quickly forgotten, as the search for a new ideology, to endorse or to hate, was perceived to have succeeded. Ravi Kanbur argues that the staffs of the Bretton Woods institutions perceived themselves as storming the citadels of statism, which led them as a negotiating ploy to demand more in the way of liberalizing reforms than they really expected to achieve—a tactic that led citizens in the World Bank's client countries to identify these institutions with something closer to market fundamentalism than the institutions really believed in.

The term's use as a synonym for market fundamentalism appears to be the dominant, but not the only, current usage. Many Bank staff members, including those who wrote *Beyond the Washington Consensus: Institutions Matter* (Burki and Perry 1998), still use the term in the way that I intended, and I think most of them would endorse the reform agenda to which I had applied the term as a reasonably accurate and appropriate summary of what the Bank and other agencies concerned with the promotion of development were, and should have been, advising countries to do.

Joseph Stiglitz, formerly the World Bank's chief economist, recently used the term in the alternative, neoliberal, sense (1999b). This at least makes it clear that he was not attacking his colleagues when he spoke of reviewing "the major ways in which . . . the 'Washington Consensus' doctrines of transition, failed. . ." (Stiglitz 1999a:4). He proceeded to question the priority given to rapid privatization and the lack of attention to establishing competition or building social and organizational capital, and later he spoke of "the standard form of voucher privatization promoted by the Washington Consensus. . . ." I am not aware that Washington has ever displayed any particular preference for voucher privatization; certainly this was not a theme of the 1996 *World Development Report* (World Bank 1996), which dealt with the transition. I agree with Stiglitz on the substantive questions he raises: one can put too much emphasis on rapid privatization, and it is more important to do it right than to do it quickly; I agree that the great merit of privatization is that it can be used to further competition; I am skeptical about voucher privatization; and I think I agree about the importance of social and organizational capital, if I understand what the words mean. (I would describe them as social cohesion and good institutions, respectively.) What I do not understand is what is gained by describing these sensible ideas as refuting a doctrine described by a term that many people in the Bank regard as providing a useful summary of the advice the Bank dispenses.

Do Washington Consensus Policies Promote Poverty Reduction?

The answer, quite obviously, depends on which interpretation of the Washington Consensus one is referring to. The popular, or populist, interpretation of the Washington Consensus, meaning market fundamentalism or neoliberalism, refers to laissez-faire Reaganomics—let's bash the state, the markets will resolve everything. I would not subscribe to the view that such policies offer an effective agenda for reducing poverty. We know that poverty reduction demands efforts to build the human capital of the poor, but the populist interpretation fails to address that issue. We know that an active policy to supervise financial institutions is needed if financial liberalization is not to lead to financial collapse, which invariably ends up using tax revenues to write off bank loans that were made to the relatively rich. And some measure of income redistribution would be recommended by any policy that was primarily directed at reducing poverty rather than simply maximizing growth, but market fundamentalists rule out all income redistribution as plunder.

A plausible alternative concept would be that the Washington Consensus consists of the set of policies endorsed by the principal economic institutions located in Washington: the U.S. Treasury, the Federal Reserve Board, the International Monetary Fund, and the World Bank. I would argue that the policies these institutions advocated in the 1990s were inimical to the cause of poverty reduction in emerging markets in at least one respect: their advocacy of capital account liberalization. This was, in my view, the main cause of the contagion that caused the East Asian crisis to spread beyond Thailand and that resulted in a tragic interruption of the poverty reduction those countries had achieved (Williamson 1999). (I did not include full capital account liberalization in my version of the Washington Consensus because I did not believe it commanded a consensus, if only because I could not believe I was the only person in Washington who feared that capital account liberalization could precipitate a tragedy such as that which occurred in East Asia.)

My version of the Washington Consensus began with the proposition that the inflation caused by lack of fiscal discipline is bad for income distribution. The second reform specifically involved redirecting public expenditure toward primary health and education, that is, toward building the human capital of the poor. Tax reform can be distributionally neutral or even progressive. A competitive exchange rate is key to nurturing export-led and crisis-free growth and is hence in the general interest, including that of the poor. Trade liberalization, certainly in low-income, resource-poor countries, tends to be pro-poor because it increases the demand for unskilled labor and decreases the subsidies directed to import-competing industries that use large volumes of capital and employ small numbers of workers, many of them highly skilled. Foreign direct investment helps raise growth and spread technology, provided that import protection is not excessive, so that the case of immiserizing growth does not arise (Brecher and Diaz-Alejandro 1977).[4] The impact of privatization depends very much on how it is done: the sort of insider-voucher privatization that occurred in Russia allows the plunder of state assets for the benefit of an elite, but a well-conducted privatization with competitive bidding can raise efficiency and improve the public finances with benefits to all, including the poor. Deregulation in general involves the dismantling of barriers that protect privileged elites (even if some of them, like trade unionists, have difficulty thinking of themselves as an elite), and hence there is a strong presumption that it will be pro-poor. Private property rights are certainly a defense primarily for those who have private property, but the improvement of such rights is nonetheless very likely to be pro-poor because these are the people who find themselves unable to defend their property when property rights are ill-defined (for example, Hernando de Soto's squatters on the periphery of Lima).

I have omitted one of the ten reforms from the preceding list: financial and interest rate liberalization. This is the primary focus of Stiglitz's criticisms when he refers to something that I can recognize as akin to my version of the Washington Consensus. I have realized for some time (see Williamson 1996) that my first formulation was flawed in that it neglected financial supervision, without which financial liberalization seems all too likely to lead to improper lending and eventually to a crisis that requires the taxpayers to pick up the losses from making bad loans (Williamson and Mahar 1998). But should economists therefore endorse the view that directed lending as pursued in some—though not all—East Asian countries is pro-growth and thus ultimately pro-poor? On this issue, at least, I would have thought that the East Asian crisis, especially in Korea, should have tempered economists' enthusiasm for the practice. The high debt-equity ratios that resulted from directed lending were certainly among the causes of the financial fragility that deepened the impact of the crisis.

Thus most of the reforms embodied in my version of the Washington Consensus are at least potentially pro-poor. In some cases this conclusion is sensitive to the way in which reform is implemented: that is certainly true of tax reform, privatization, and, above all, financial liberalization. But I see no reason why the World Bank should back away from endorsing my version of the Washington Consensus in view of its reaffirmation of poverty reduction as its overarching mission. That is not to claim that the Washington Consensus, in any version, constituted a policy manifesto adequate for addressing poverty. My version quite consciously eschewed redistributive policies, taking the view that Washington had not reached a consensus on their desirability. But time has moved on, and we are now looking to *World Development Report 2000/01* for an outline of the policies needed to supplement my version of the Washington Consensus in a world that takes poverty reduction seriously.

The Semantic Dilemma

One can react to the semantic dilemma posed by the different definitions currently in use in three possible ways. Consider these alternatives:

- *Insist on the original usage.* Insist that my version of the Washington Consensus is the only correct and legitimate interpretation, as a corollary of which the term will (with the qualifications noted above) be recognized as pro-poor. This alternative strikes me as both presumptuous and unrealistic: once a term has escaped into the public domain, one cannot dictate the reestablishment of a common usage. The likely result would be a perpetuation of the public confusion that I am attempting to address.
- *Abandon the term.* Refuse to debate in the terms that have been so compromised by the widespread adoption of the "populist" definition. I cannot imagine that this approach would end the populist use of the term; it would simply be a cop-out.
- *Endorse a post–Washington Consensus.* A more promising strategy has been adopted at least twice within the Bank. In 1998 the Latin America Regional Office of the World Bank issued a policy document that favored going beyond the Washington Consensus (Burki and Perry 1998). Stiglitz did almost the same, semantically at least, in urging a post–Washington Consensus in his lecture to the World Institute for Development Economics Research in January 1998.

When I first came across this approach, I thought it implied that the reforms included in the Washington Consensus were necessary but not sufficient for promoting development, an idea that seemed eminently reasonable. Clearly the Bank today would want to go further and endorse a wider array of antipoverty instruments than was able to command a consensus in 1989, when the most I thought I could legitimately include was the promotion of public expenditure on primary health and education.[5]

In their book, Burki and Perry (1998) explicitly refer to my version of the Washington Consensus and assert that the widespread implementation of the "first-generation" reforms it prescribed was paying off in Latin America in resumed growth and an end to high inflation. They noted that the reforms had not been equally effective in reducing poverty and inequality, which they argued demonstrated a "need to focus on improving the quality of investments in human development, promoting the development of sound and efficient financial markets, enhancing the legal and regulatory environments (in particular, deregulating labor markets and improving regulations for private investment in infrastructure and social services), [and] improving the quality of the public sector (including the judiciary) . . ." (p. 4). This is an agenda dominated by institutional reform, which is indeed what has become known in Latin America as the second-generation reform agenda (Naim 1995).

It is not equally obvious why Stiglitz would want to propagate a post–Washington Consensus that implied endorsing and extending the original version, given his interpretation of what was included in it. In fact, the Stiglitz version of a post–Washington Consensus does not endorse any version of the original. He is advocating a policy package that is intended to supersede the Washington Consensus altogether. His new policy package is asserted to differ from the original in two dimensions.

First, he argues that the implicit policy objective underlying the Washington Consensus is inadequate. In addition to pursuing economic growth, the objectives should include "sustainable development, egalitarian development, and democratic development." In other words, he believes that policy objectives should include the state of the environment, income distribution, and democracy, as well as per capita gross national product. I find those objectives much more congenial than a single-minded preoccupation with economic growth, although I am not sure that the World Bank could formally endorse the pursuit of democracy (its Articles do, after all, forbid its involvement in politics).[6] Second, in addition to expanding the objectives, Stiglitz argues that it is necessary to pursue "sound financial regulation, competition policy, and policies to facilitate the transfer of technology and transparency" to make markets work in a way that will support development.

I have a somewhat different view of what should be added to the Washington Consensus to make it a policy manifesto supportive of egalitarian, environmentally sensitive development. I agree that financial regulation (prudential supervision) is crucial and that transparency is a useful complement to supervision in achieving appropriate conduct of financial institutions. Moreover, competition is a natural complement to deregulation in promoting a well-functioning market economy (although a liberal import regime is the most effective competition policy in tradables, as Srinivasan argues in his comment in this volume). I would not have included technology transfer in such a manifesto, although I would have no objection to including institutional changes that seemed likely to promote technology transfer if I were reasonably confident that I knew what these changes were (besides accepting foreign direct investment). Similarly, I would consider it desirable to include policies focused on improved environmental conditions, although I am not sure that I would know how to select policy measures at a comparable level of generality to my 10 original points. But my emphasis would have been different; I would have focused much more generally on institutions. To explain why, let me offer a brief history of postwar development thinking.

In the first wave of theorizing about economic development, from the 1940s to the early 1960s, economists saw the accumulation of physical capital as the key to development (as reflected in the Harrod-Domar model, the Lewis model, and the two-gap model). The second phase recognized that human capital provided another and more inelastic constraint on development, a constraint that explained why Europe and Japan had recovered from World War II so rapidly, when growth in developing countries had been lagging despite the adoption of development policies and the beginning of large-scale aid. The third phase, which started about 1970 with the work of Little, Scitovsky, and Scott (1970) and Balassa (1970), emphasized that the policy environment influenced the level and dominated the productivity of investment. The Washington Consensus attempted to summarize the outcome of this debate on the policies that were conducive to economic development. The major advance of the 1990s stemmed from recognition that the central task of the transition from communist to market-based economies involved building the institutional infrastructure of a market economy. This realization was complemented by a growing recognition that bad institutions can sabotage good policies. This viewpoint was reflected in Stiglitz's (1999a) remarks on the transition, in Naim's (1995) work on supplementing the Washington Consensus, in Burki and Perry (1998), in the *World Development Reports* of 1997 and 1998, and in the World Bank's decision to launch a crusade against corruption.

What should one make of the idea of launching a post–Washington Consensus? I would not be happy at such a move if it were interpreted to imply a rejection of "the" Washington Consensus, although I would have no problem if it involved rejection of the populist, or market-fundamentalist, version. But it seems a somewhat odd crusade. The time of the original consensus, 1989, was an unusual period in that the ideological battles of the Reagan era, not to mention the cold war battle between capitalism and communism, were passing into history, leaving in their wake an unusually wide measure of agreement that several rather basic ideas of good economics were not only desirable but of key importance in the current policy agenda of at least one region—Latin America. Currently, there is no similar coalescing of views, certainly not on the wider agenda that Stiglitz has laid out. (Consensus on egalitarianism? With aid fatigue threatening the future of the International Development Association? On environmental sustainability? In a world where the U.S. Senate refuses even to consider ratifying the Kyoto Protocol?) I agree, rather, with Tim Geithner (1999:8): "I don't think anyone believes there is some universal model that can or should be imposed on the world—Washington consensus, post Washington consensus, or not."

Resolving the Dilemma

Let me conclude by laying out my own ideas on how to resolve the dilemma.

- There is little merit in attacking abstract, undefined concepts that are interpreted to mean whatever the author momentarily decides they mean. It is better to spell out those concepts that are being criticized and debate policies on the basis of their merits.
- The World Bank should recognize that the term Washington Consensus has been used in very different ways. One summarizes policies that are pro-poor; another describes a policy stance that offers the poor very little and warrants no support.
- It is appropriate to go beyond the Washington Consensus by emphasizing the importance of the institutional dimension as well as of the sort of policies embodied in the original version of the Washington Consensus—policies that will promote an equitable distribution of income as well as a rapid growth of income.
- The hopeless quest to identify a consensus where there is none should be abandoned in favor of a debate on the policy changes needed to achieve a rounded set of objectives encompassing at least the level, growth, and distribution of income, as well as preservation of a decent environment.

The Bank will do the cause of economic development a great service if it can frame future debate in these terms. Admittedly my suggestions do not answer the pleas for a new ideology that would more adequately reflect the goals of the multilateral development banks and that might thus increase the chance of establishing local ownership of the sort of economic policy stance conducive to rapid and equitable growth. Let me plead in defense that I am not a suitable person to launch an ideology, inasmuch as Naim (2000) characterizes an ideology as a thought-economizing device and I actually believe that thinking is more desirable than economizing on thought.

Notes

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1. This intellectual convergence was the result of the collapse of communism, which resulted not from machinations of the Bretton Woods institutions, or even of the U.S. Central Intelligence Agency, but because socialism does not work except in a simple economy, and even then it seems to have worked reasonably well only when large numbers of people were inspired with revolutionary zeal.

2. Exchange rate policy is the one topic on which I have a serious difference of view with T. N. Srinivasan's comment that accompanies this paper. The term "competitive exchange rate" originated with Bela Balassa and signifies a rate that is either at, or undervalued relative to, its long-run equilibrium. I do not regard measuring the latter as an exercise in futility; see Hinkle and Montiel (1999) for evidence that other people in the Bank do not either. I dissent from the consensus Srinivasan proclaims that holds that only currency boards and freely floating rates offer viable regimes. For further details, see Williamson (forthcoming).

3. In trying to identify policies from the Reagan-Thatcher era that had not won consensus support, I wrote in 1996: "it [the Washington Consensus] did not declare that the only legitimate way to restore fiscal discipline was to slash government expenditure; it did not identify fiscal discipline with a balanced budget; it did not call for overall tax cuts; it did not treat as plunder the taxes raised to redistribute income; it did not say that exchange rates had to be either firmly fixed or freely floating; it did not call for the proscription of capital controls; it did not advocate competitive moneys or argue that the money supply should grow at a fixed rate" (Williamson 1997:50).

4. Growth of output of a heavily protected product can immiserize a country if the resources used in production exceed the social value of the output.

5. However, in commenting on my paper, Stanley Fischer (then the Bank's chief economist) argued that I could and should have gone further: "Emphasis on poverty reduction has increased in recent years and will continue to do so. [A good forecast.] The concern with poverty reduction goes beyond the belief that economic growth will reduce poverty, to the view that targeted food subsidies as well as the medical and educational programs to which Williamson refers, can reduce the number of poor people . . . and should be used for that purpose" (Williamson 1990:27).

6. Some people might wish to add nation-building to the noneconomic objectives to be pursued by development policy (as was common in the 1960s).

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