

Letter: The Spence Commission and the Washington Consensus

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Dear Editors:

Dani Rodrik (“Spence Christens a New Washington Consensus”) is surely right to greet the report of the Spence Commission as another forward step in thinking about development. It is true, as he says, that the great and the good who constituted the Commission did not present us with any great breakthrough ideas, but that is the virtue of this report: that it did not pretend that there are such ideas, but that instead it argued that we need to ask what are the necessary steps to take in a specific instance. These steps are going to be guided by some general principles, about which it is thoroughly sensible, but just what should be done is going to depend on context.

It is a pity that Rodrik felt it necessary to contrast these recommendations with a supposed cookie-cutter approach, based on the Washington consensus, which preceded it. The Washington consensus is better regarded as an attempt to spell out the general principles that should guide policy than as a list of unqualified dos and don’ts. As Rodrik himself said:

all [successful economies] engage in the global economy, maintain macroeconomic stability, stimulate saving and investment, provide market-oriented incentives, and are reasonably well governed.

Admittedly when I coined the term

“Washington consensus” back in 1989 and laid out the basic policies therein, I missed the last element, and perhaps I wasn’t very explicit about saving and investment, but a better summary description of what the Washington consensus was all about than is provided by Rodrik here would be difficult to provide. And there is a profound difference between those ideas and the import-substitution, moderate-inflation-is-good-for-you, investment-is-all-that-matters, statist philosophy that they replaced. I do not understand why Rodrik feels it necessary to deny that this was progress just as important as the recognition that context matters in determining specific actions.

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REFERENCES AND FURTHER READING

Williamson, John (2000) “What Should the World Bank Think About the Washington Consensus?” *World Bank Research Observer*, 15(2):251–264.

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