

IS CHINA THE BENEFICIARY OF THE 'WASHINGTON CONSENSUS'?

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Economics in Washington, D.C. He can be called an insider, who has experience moving within Washington circles and has worked there for quite a long time. In his scientific research, he tried to define the points of the Consensus between Washington-based politicians and economists, which spontaneously took shape in the 1980s. **In its initial form, the participants of the 'Washington Consensus' did not include politicians from New York or California, not to mention politicians from other countries**, whether they be Canadian, British, French, etc.

How does Williamson himself define the participants in the Consensus? In his paper, he writes, *'The Washington of this paper is both the political Washington of Congress and senior members of the administration and the technocratic Washington of the international financial institutions, the economic agencies of the US government, the Federal Reserve Board, and the think tanks.'* Williamson himself most likely comes under the last grouping. Although this paper is, of course, not an official document, it creates the impression that the author has noticed the points of the Consensus quite accurately. Impartial observation shows that Washington's power structures have also tried to impose the ten principles outlined by Williamson upon other countries.

The result of the introduction of the 'Washington Consensus' was

to experience a slow down in its own rate of growth. **The 'Washington Consensus' system was adopted to further USA interests. But the Americans have been out-smarted.** It remains doubtful that the higher echelons of the American administration strived to bring about a decrease in growth rates in their own country or in the countries of their nearest allies. Their main objective also cannot have been to stimulate an increase in the rate of economic growth in peripheral countries, especially considering that many of them (i.e. China) do not tend to have overly friendly relations with Western countries.

Let's take some of the principles enumerated in Williamson's paper as an example. The point about national rate of exchange sounds rather ambiguous in this paper. Competitive exchange rates promote capital flows from countries with higher exchange rates (such as those considered to be the centre of the World-System – the developed countries) to those countries with lower exchange rates. This is natural: if the rate of exchange is too high in a given country, then improvements in production in this country makes no sense, as the manufactured goods would not end up being competitive on the market. We can observe the opposite situation occurring in those countries that have a lower exchange rate. Lowering the exchange rates ultimately provides increased economic growth rates in the peripheral

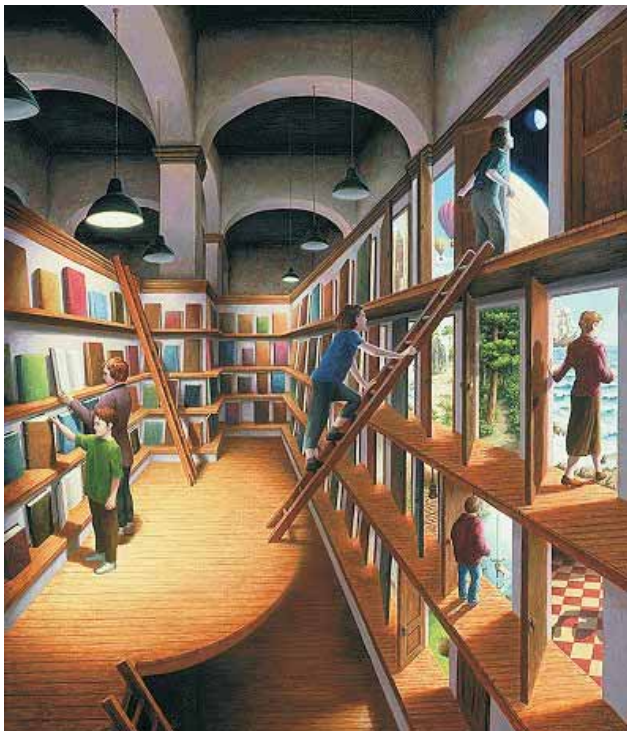
The 'Washington Consensus' is a system of ten macroeconomic policy principles that was formulated by the American economist John Williamson. The article was called 'What Washington Means by Policy Reform'. Where did he derive the principles that he focuses on in this publication?

Williamson is a researcher for the Institute for International

The 'Washington Consensus' system was adopted to further USA interests. But the Americans have been out-smarted here

the acceleration of the growth rate for peripheral systems, at the same time as the centre of the World-System, including the USA, began

countries and decreased growth rates in the centre of the World-System. Another point worthy of mention here is fiscal reform,



specifically the liquidation of excessive taxing. Excessively high taxes result in the deceleration of growth rates. Lowering taxes essentially makes the country more attractive for investment. Almost all of the principles of the ‘Washington Consensus’, not to mention the point regarding the protection of private property – is a recipe about how to make a country attractive for investment.

The adoption of these macroeconomic principles in Third World countries has suddenly made them attractive destinations for financial investment. As a result, this has caused the gap between the centre and the periphery to shrink rapidly. It is hard to say whether any of the American strategists had previously considered the possibility that the implementation of the ‘Washington Consensus’ principles would effectively decelerate growth rates in the more central countries and result in

The principles behind the ‘Washington Consensus’ are now contributing to the approaching end of a US-centric world

their acceleration in more peripheral countries. It is possible that, among Washington politicians, there simply existed the belief, per-

haps even a quasi-religious one to some degree, that these principles would ultimately be effective.

The above-mentioned reasons explain why **China is not a participant in the ‘Washington Consensus’**. **Rather, China is one of the beneficiaries of this system.** There’s

hardly another country that has profited as much as this country from the

‘Washington Consensus’ and from the desire on the part of the USA to propagate these ten principles of macroeconomic policy. It is also quite possible that the Chinese lobby took part in formulating the principles of the Consensus. There are many scientists and experts of Chinese origin in Washington, D.C. Though this supposition may sound somewhat like a conspiracy theory, at least we can presuppose that **in the case that the Chinese leadership had tried to lobby Washington in the desired direction, it would likely propagate the exact principles embodied in the ‘Washington Consensus’**.

The countries that have benefited most from the ‘Washington Consensus’ are those countries of the Third World that have adopted its principles in full, while not forgetting about guaranteed proprietor’s rights and priorities such as education and health care. In addi-

its own recipes, which has resulted in the new adherents to this policy leaving the United States and other Western countries behind in terms of the growth rates of their respective economies. Now Washington is trying to pressure China with the purpose of its rejecting one of the main principles of the ‘Washington Consensus’ – that of lowering its own currency exchange rates. Such a policy obviously differs from the ‘Washington Consensus’ observed in the beginning of 1990s. Today, Washington has taken a more careful position with respect to the question of the role of the state.

The dramatic increase in the economic growth rate in the world’s more peripheral countries and the simultaneous drop in economic growth in the centre of the World-System should eventually **lead to a reconsideration of the way that the global political structure is organised**. We have every reason to presume that the gap between the centre and the periphery will become smaller and smaller. Along with an increase in economic power, the periphery will come to play a much larger role in the sphere of international affairs. The restructuring of the political order in the World-System seems inevitable. **The United States will gradually lose the leading role it currently enjoys**. The ‘Washington Consensus’ has fancifully contributed to the USA losing its position. This has become a long-term problem for American political scientists. Initially the idea of the ‘Washington Consensus’ had nothing to do with the notion of the ‘US-centric world’. But this term has gradually taken on a new meaning. The phenomenon of US-centrism has effectively helped to spread the ideas of the ‘Washington Consensus’ and, in an ironic twist of fate, in this way, **the ‘Washington Consensus’ is now contributing to the impending end of a US-centric world**. The principles entailed therein will inevitably bury their own US-oriented focus due to the efficiency that has resulted from the spread of this system. ■

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