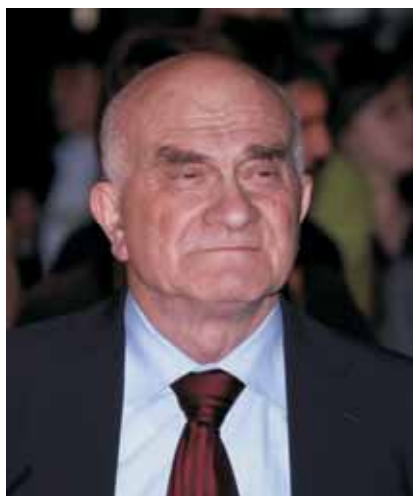


THE 'WASHINGTON CONSENSUS' IS NOT QUITE OBSOLETE JUST YET

Evgeny Yasin



EVGENY YASIN

is a well-known Russian economics and professor. He is a Doctor of Economics and the Director of Research at the State University Higher School of Economics (GU-HSE). He is also President of the Liberal Mission Foundation and Co-chairman of the regional economic forum 'For Sustainable Development' Fund. From 1994 to 1997, he served as the Minister of the Economy of the Russian Federation

Endless talks about the 'Washington Consensus' occurred in response to the many difficulties connected with transformation of the Russian economy and society. This idea was also supplemented on the back of crisis events in the West. The principles which were embodied in its original inception seemed to becoming obsolete and there was a need to replace them.

I am absolutely sure that the 'Washington Consensus' is not quite obsolete just yet. On the contrary, the latest global crisis was provoked not only because the governments of Western countries stuck to its respective points, but rather because they did not fully adhere to them. In actuality, the crisis was, in large part, caused by an excessive

weakening of their monetary policy. Up to this point, international financial institutions have taught us that the financial policy must be responsible. Since the very beginning of this decade, the policy that is prevalent in the United States' is definitely not what we can call responsible. Just the opposite — according to the terms of economic activism, which essentially means governmental interference in the economic sphere, the interests rates were too low. This ensured cheapness in terms of money and rather high growth rates during the course of several years, but this was followed by a subsequent serious crash and a resultant high level of uncertainty about how the global economy would further develop. The crisis has still not drawn to an end, but liberal principles will nevertheless, time and time again, demonstrate that they are justified and that will be the case this time around as well.

I cannot see any grounds for calling the points of the 'Washington Consensus' into question. All the shouting to the effect that liberalism has come to its final end is nonsense and has virtually nothing in common with reality.

The concept of the 'Washington Consensus' has nothing to do with and should not be equated with an America-centric world. These terms have only one thing in common. The link is that the ideas of the 'Washington Consensus' were largely propagated in Anglo-Saxon countries — namely, in the USA and Great Britain. But one of the key influences of this school, which developed the liberal approach towards the economy, was post-war Germany, and above all these ideas were promoted by Ludwig Erhard. He was the first to identify the principles before anyone had ever heard anything about a 'Washington Consensus'. These same ideas were then were applied in Japan. This was implemented by the American banker Dodge, who carried out the financial reformation of the Japanese economy according to the instructions of General MacArthur. The following economic upturn of Japan was due to its increase in exports to open Western markets. In many respects, the upturn of China and

India are based on the same grounds — the liberation of their economies.

I have no objections to resorting to methods of governmental interference from time to time, especially with respect to the various stages of modernisation. First and foremost, this should include government investments in long-term projects aimed at changing the structure of the economy. This intervention should only happen in the case that is carried out namely on the basis of the principles of the liberal market economy, not counter to them.

In the 1990s, the free market was created in Russia, free prices were introduced, an open economy was formed, privatisation was carried out, and an openness towards and willingness to engage in foreign trade emerged. **I supported all of these principles and seriously considered them, not even aware that these were the main principles of the 'Washington Consensus'.** These principles are also complemented with another important one — strict and responsible financial policy, which is capable of suppressing inflation and also supports business activity when the prerequisites are created.

Government regulation will be strengthened in the near future, especially in the financial markets. On the national scale many countries will undergo a much stronger government interference, which will eventually generate more losses and, as a result of that happening, this should make policy-makers realise the necessity of implementing a more balanced policy. All of this should be regulated by following particular rules of the game with respect to international markets, which should entail the persistence of certain risks and the continuance of the existing state of economic uncertainty. The freedom of international markets should effectively guarantee the absence of hegemony on the part of one country over other countries. Such freedom should also encourage people to take advantage of wider possibilities, than those possibilities that remain in the wake of greater regulation. ■

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