

Politics of Neoliberal Development: Washington Consensus and the post-Washington Consensus

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This chapter examines the emergence of neoliberalism in development economics and development studies, and the implications of the neoliberal transition across both scholarship and policy-making. It argues that the meaning and significance of neoliberal theory and its policy implications have shifted over time, place and issue, and that there can be inconsistencies across its component parts. These are, often, due to tensions between the rhetorical and policy worlds built by the advocates of neoliberalism and the realities of social and economic reproduction in the so-called “developing” countries. Examination of these tensions can help to illuminate the weaknesses of the Washington consensus, the reasons for its displacement by the post-Washington consensus led by Joseph Stiglitz, and the ensuing disputes between the post-Washington consensus and its predecessor around the shortcomings of “deregulation”, and the desirability and optimal extent of state intervention in the economy. The chapter concludes that the differences between the Washington consensus and the post- Washington consensus have been overblown and, in particular, that they share much the same conception of development and attachment to neoliberalism, and the same limited commitment to democracy. However, because of its greater plasticity the post-Washington consensus is better positioned to weather the criticisms levelled against the Washington consensus, especially after the impact of the economic crisis starting in 2007.

Neoliberalism and Its Critics

Over the last few years, doubts have been expressed over whether neoliberalism is a concept that can be deployed either validly or even usefully across the social sciences (see, for example, Castree, 2006, and Ferguson, 2007). This may reflect the continuing throes of discursive critique of concepts in general and would apply equally to other commonly used terms, most notably, globalisation. But, for neoliberalism in particular, there are genuine doubts sewn about its diversity in both policy and impact and, consequently, over its capacity either to define a distinctive ideology or set of policies, or to specify the nature of contemporary capitalism.

These conundrums are no less pronounced in the case of neoliberalism and development. For the

sake of convenience, and as is common across both scholarship and popular discourse, neoliberalism in this context is heavily associated with the Washington consensus (WC) and the practices of the World Bank, the IMF and other international organisations, including the WTO, the European Commission and the European Central Bank. But, in the last years of the millennium, the WC gave birth, if not way, to the so-called post-Washington consensus (PWC; see Fine et al, 2001). The PWC has emphasised that markets (and institutions) work imperfectly and so provides the rationale for state intervention. For some, this shift from WC to PWC represents a distinct break between the two, at least to the extent that the PWC is implemented in practice. This is certainly how proponents of the PWC see matters (for example, Stiglitz, 1998), as they associate neoliberalism narrowly with the WC and the dogmatic belief in the virtues of the free market by way of their own critical point of departure. For others, though, the PWC is essentially the WC (and the continuation of neoliberalism itself) by other means. Adding to the confusion is the stance of John Williamson, who first coined the phrase, WC, in the late 1980s. He both disassociates it from neoliberalism as such and considers that differences between the WC and PWC are minor and exaggerated for polemical purposes by proponents of the PWC relative to core principles that it shares in common with the WC around the virtues of ‘sound’ macroeconomic policy (that is, restrictive fiscal and monetary policy, ‘flexible’ labour markets, ‘free’ trade and capital flows, privatisations, the absence of government intervention on prices, and so on), and maximal, though not exclusive, reliance upon (global) market forces (see below, and Marangos, 2007, 2008, and Williamson, 2007).

This chapter argues that neoliberalism is a valid and useful concept, both in general and in the context of development, but it has to be reconstructed carefully across three dimensions (see Fine, 2009a). The first is conceptual. Neoliberal thought incorporates a complex construct of rhetorical (ideological), intellectual (scholarly) and policy elements. There is a shifting combination of these across time, place and issue, and the notion of neoliberalism is not always deployed consistently in distinct contexts or over time. There is also a tension across these elements and the material reality that they purport to represent and project: a virtual world made up of more or less thwarted market forces, and one which should be remade as far as possible to conform to the image conjured by neoclassical economic theory (Carrier and Miller, 1998).

There can be inconsistencies within each of these elements. The scholarly justification for the virtues of the market has been supported both by the neo-Austrianism closely associated with Friedrich von Hayek and the general equilibrium theory of mainstream economics, which is based on neoclassical orthodoxy and is absolutely intolerant of alternatives (see Denis, 2004, 2006, and Mirowski, 2007). But these are at odds with one another, with the former emphasising the inventive and transformative subjectivity of the individual and the spontaneous emergence of an increasingly efficient order through market processes, whereas the other is preoccupied with the efficiency properties of a static equilibrium achieved entirely in the logical domain, on the basis of unchanging individuals, resources and technologies. Despite their claims to the contrary,

neither captures the political economy and moral philosophy that underpins the invisible hand associated with Adam Smith (see Milonakis and Fine, 2009).

Moreover, in the rhetorical and policy worlds, even the most ardent supporter of freedom of the individual in general, and through the market in particular, concedes that those freedoms can only be guaranteed through state provision of, and coercion for, a core set of functions and institutions, ranging over fiscal and monetary policy to law and order and property rights, through to military intervention to secure the “market economy” when this becomes necessary. In practice, then, neoliberalism is often heavily associated with authoritarianism, while its attachment to classical liberalism and political democracy is hedged and heavily conditional in practice (see below, and Chile serves as a classic illustration in view of its dependence after the overthrow of Allende on the monetarist Chicago boys – as it were, we have ways of making markets to be free!; see, for example Barber, 1995, Bresnahan, 2003, and Saad-Filho, 2007). The foregoing begins to explain why the term neoliberalism should prove especially elusive across rhetoric, scholarship, policy and realism. As such, it is possibly no harder to pin down than such concepts as globalisation or social capital but, as for these as well as other examples pervasive across the social sciences, this requires that it be critically reconstructed and assessed.

In this respect, the second key dimension for the reconstruction of neoliberalism concerns what is distinctive about it over and above its rhetorical emphasis on the freedom of both market and individuals. This is to be found in the distinguishing characteristic of capitalism over the last forty years or so, which has set it apart from what has gone before, and increasingly so over time. This is the role of finance in general and of financialisation in particular (Fine, 2008). These processes include not only the extraordinary proliferation and expansion of financial markets and instruments as such, both within and between countries, but also the penetration of financial processes and imperatives into ever more aspects of economic and social reproduction. The result has been, both directly and indirectly, precisely the economic phenomena that are commonly associated with neoliberalism, and which go far beyond the traditional contrast, within macroeconomics, between monetarism and Keynesianism, or between the new orthodoxy in development economics of relying upon the market as opposed to the old developmentalism based upon modernisation, welfarism and industrialisation. Typically, there has been deregulation of the financial sector itself, accompanied by commercialisation, commodification, privatisation, imposition of user charges, liberalisation of the capital account of the balance of payments, and so on. These were component parts of state strategies to transfer capacity to allocate resources intertemporally (the balance between investment and consumption), intersectorally (the composition of output and employment) and internationally towards an increasingly globally integrated financial sector. This is not simply to reduce such systemic developments to the power or imperatives of finance, but to recognise how the promotion of markets in general has underpinned the promotion of financial markets in particular as a key

feature of neoliberalism.

Third, apart from reconstructing neoliberalism across its multiple dimensions and highlighting its inextricable connections with financialisation, there is a significant distinction between two phases of neoliberalism. The earlier might be dubbed the transition or shock phase. In the wake of Reaganism/Thatcherism, states intervened heavily and forcefully to promote the globalised expansion of capital in general and of finance in particular, through contractionary fiscal and monetary policies, privatisation, deregulation, social security cutbacks, the introduction of stiffer rules constraining social protests, and so on. These policies have represented a severe assault on the poor and progressive values, but they also represented a redefinition rather than a withdrawal of the state in which, either by accident or design, the weight and influence of finance in national and international economies have grown by leaps and bounds (see Gowan, 1999, Panitch and Konings, 2009, and Saad-Filho and Johnston, 2005).

By contrast, the later phase of neoliberalism, leading to the financial crisis starting in 2007, was more muted and comprised two aspects. On the one hand, it accommodated the reactions against the extreme inequity and iniquity of outcomes across economic and social provision which were enforced in the transition phase. On the other hand, and of greater weight, is the use of the state to sustain the newly established framework for capital accumulation, especially the prominence of finance, with its most regressive consequences being targeted for regulation or amelioration at the margin. This arrangement was stress-tested most dramatically in the recent financial crisis, when developed countries rapidly committed unprecedented resources to sustaining their collapsing financial systems. Such heavy state intervention was unmistakably neoliberal in substance, not least being introduced by erstwhile President Bush and Prime Minister Gordon Brown in order to shore up failing banks and insurance companies, including the formal nationalisation of key institutions and the absorption of failing banks by their healthier competitors. Despite these occasionally audacious initiatives, no significant structural change has taken place in Western financial systems in the aftermath of the crisis.

Neoliberalism and Development

Against this background, our focus can shift to neoliberalism and development more generally. Attention to this can be placed upon the shift between the WC and the PWC. But, before doing so, reference should be made to what might be termed the pre-WC. This is most closely associated with Robert McNamara's Presidency at the World Bank (1968-81). At the level of rhetoric, this period is attached to anti-communism in a context where the Soviet model offered an alternative to the "developing" countries in the wake of widespread decolonisation and intense left activity in most countries, including armed mass movements in three continents. The notion of development within this orthodoxy was linked to modernisation, and underpinned by Keynesianism and a rudimentary version of welfarism. Methodologically, development economics was both highly inductive and historical in content, grasping the idea that

development involved a transition through modernisation to the ideal-type of advanced capitalism, most notably represented by the five stages of economic growth popularised by Rostow (1960) in his appropriately entitled *The Stages of Economic Growth: A Non-Communist Manifesto*.

By the same token, policy was perceived to involve significant state intervention and the provision of social and economic infrastructure for industrialisation, including public ownership of key industries if necessary. These developmental policies and perspectives were posited without reference to the Cold War, the brazen allocation of aid and development finance according to Western policy imperatives and commercial interests, the systemically biased workings of the global economy and the constraints that this imposed on the development strategies of the poor countries. Of course, the pre-WC was also heavily contested. Indicative was the strength of radical alternatives in scholarship, against an orthodoxy that now seems disconcertingly progressive by comparison to that of today. This confrontation was especially prominent in the various forms of dependency theory, which promoted the view that development and underdevelopment constitute two sides of the same coin (see Cardoso and Faletto, 1979, Kay, 1989, ch.5, Palma, 1981 and Saad-Filho, 2005).

The WC emerged in the late 1970s and early 1980s as a dramatic right-wing reaction against the perceived weaknesses of the pre-WC developmentalist consensus. Rhetorically, the WC involved a heavy attachment to a universalist neoliberal ideology, with absolute commitment to the free market and the presumption of the state as a source of both inefficiency and corruption, not least through rent-seeking. At the level of scholarship, the WC suppressed the old development economics as a separate and respected field within the discipline, even denying the scope for its existence, and imposed, instead, a rigid adherence to the deductive and formal methods of mainstream, neoclassical economics which, supposedly, only needed to be applied to specific fields, among them economic development. This process provides a striking example of “economics imperialism” in the form of the so-called new development economics in which not only the economy itself but also social aspects of development should be seen as reducible to the principles of the dismal science of pursuit of self-interest (see Fine and Milonakis, 2009, Jomo and Fine, 2006, and Fine 2009b).

While the WC claimed to be leaving as much as possible to the market, the previous section has shown that this is better seen as rebuilding the state to intervene on a discretionary basis systematically to promote the expansion of a globalising and heavily financialised capitalism. In effect, the WC comprised three elements: the hegemony of mainstream economics within development theory; the predominance of the World Bank in setting the agenda for the study of development, with the Bank and the IMF imposing the standards of orthodoxy within development economics itself; and the redefinition of development from systemic transformation to a set of policies to achieve development, with limited specification of what this would be.

Strikingly, the WC discarded the previous consensus around (domestically financed) capital accumulation as the key to development and, instead, focused almost exclusively on the need for “appropriate” incentives and the “correct” economic policies, especially fiscal restraint, privatisation, the abolition of subsidies and government intervention on the prices of goods and services, flexibilisation of the labour market, trade liberalisation, export-led growth and an open capital account of the balance of payments.

Not surprisingly, the WC did not go unchallenged both from within economics and from development studies. But each of these has also experienced a sharp decline in political economy approaches since the early 1980s, under the sustained assault of mainstream economics and right-wing ideology and politics that had become wedded to neoliberalism and wholly intolerant of alternatives. Despite these profound difficulties, by the late 1980s there was considerable momentum behind the critique of the WC both within academia and in the emerging social movements, with two complementary approaches to the fore.

The first of these was inspired by the notion of the developmental state (see Fine, 2006, for an overview). With particular emphasis upon industrial policy, the notion of a developmental state was perceived to apply to the successful industrialisations in the East Asian newly industrialising countries (NICs), with Japan as the classic precursor, followed by the four ‘tigers’ (South Korea, Taiwan, Singapore and Hong Kong) in the 1960s and 1970s. These were followed, in turn, by Malaysia, Thailand, Indonesia, China and Vietnam. In all these cases, it was found that the state had violated the main tenets of the WC, not least through protectionism, directed finance, and other major departures from the free market. The second criticism of the WC focused upon adjustment with a human face. Irrespective of the questionable merits of the WC in bringing stability and growth, the adverse impact of WC policies on those in, or on the borders of, poverty was highlighted. The WC stood accused of being at least oblivious to the issue of who bore the burden of adjustment and stabilisation. It was also criticised for tolerating, and even promoting, rising inequality as a way of reducing the fiscal burden on the state and of enhancing the scope for introduction of market incentives in everything from health and education to agriculture and to the workings of urban labour markets (see Chang, 2003 and Chang and Grabel, 2004).

The mounting opposition to the WC on these fronts dovetailed with the growing evidence of the 1980s as a “lost decade” for development across the portfolio of policies and countries that were subject to adjustment through conditionalities imposed by the World Bank and the IMF. As a result, the World Bank in particular sought to defend itself through questionable appeals to the empirical evidence, selective reference to the occasional if invariably temporary (and always carefully promoted) star performers, and the argument that the problem was not with the policies but with lack of their implementation (opening the way to subsequent

discourses around corruption, good governance, and the like). This effort culminated in the publication of a major report on the East Asian NICs (World Bank, 1993), arguing that government intervention had been extensive but had only succeeded because it had been along the lines of what the market would have done had it been working perfectly – and, in any case, the East Asian experience was not replicable in other countries.

These attempts to defend the WC soon proved to be futile, and the PWC was launched from within the World Bank in the second half of the 1990s. In terms of scholarship, both in intrinsic quality and external recognition, the PWC has been far more powerful than its predecessor, with its pioneer, Joseph Stiglitz, receiving the Nobel Prize for economics in 2001 having just been removed from his position as Chief Economist at the World Bank for reasons that will become apparent below. Substantively, the intellectual thrust of the PWC has been to emphasise the significance of market and institutional imperfections, as opposed to the virtues of the (perfect) market promoted by the WC. Consequently, the PWC rejects the WC for its antipathy to state intervention, and it also questions the conventional macroeconomic stabilisation policies for their severely adverse short- and long-term impacts. Policy-wise, the rhetoric of the PWC was comparatively state-friendly but in a limited and piecemeal way, with intervention only justified on a case-by-case basis, should it be demonstrable that narrow economic benefits would most likely accrue. Despite its obvious limitations, the PWC provided a rationale for discretionary intervention across a much wider range of economic and social policy than the WC. However, it remained fundamentally pro-market, favouring a poorly examined deepening of the process of “globalisation” but, presumably, with a human face and guiding hand.

Rhetorically, the PWC tended to exaggerate the contrast with the traditional WC concerns (van Waeyenberge, 2007), allowing Stiglitz stridently to protest policies imposed by the IMF on Russia and South Korea, in particular, which triggered his enforced departure from office at the World Bank. Significantly, like the WC, the PWC also has no notion of development beyond growth and efficiency, as opposed to an exaggerated emphasis on the means of achieving it. The PWC focuses on the correction of market and institutional imperfections on a piecemeal basis, rather than simply relying upon the market as for the WC, but also presuming that the “correct” institutional and policy framework is sufficient to secure long-term economic success, understood as a higher growth rate. Further, policy in practice under the PWC has, if anything and despite flagship Poverty Reduction Strategy Papers, promoted by the World Bank and the IMF as part of their external debt relief initiative, tightened on the traditional measures associated with the WC conditionalities in the application of criteria for assessing eligibility for aid or debt forgiveness (van Waeyenberge, 2007). The one exception, apparently, is in liberalising the controls on international capital flows, but this is explained by the extent to which this had already been achieved, and is no longer necessary as an imposed policy.

The emergence of the PWC is best seen as deriving from economic orthodoxy or, at least, from

trends within it. The market imperfection economics on which it is based, especially the appeal to the notion that individual agents are imperfectly coordinated by the market alone, did not evolve in the context of development, but was applied to it after the event, at an opportune moment. This was as replacement for the discredited WC view that had pioneered the new in place of the old development economics in the context of the rise of neoliberalism, monetarism and supply-side economics, and which also emerged without a thought for development, as was shown above. Further, the PWC itself is indicative of a more general and aggressive phase of economic imperialism, in which the economic and the social are perceived to be reducible to market imperfections and the institutional responses to them (Fine 2009b). Everything from corruption through to civil war and aid-effectiveness is to be explained by reference to imperfectly coordinated pursuit of self-interest, defined by reference either to narrow economic motives or to arbitrary addition of other motives and factors (such as degree of linguistic diversity, tropical climate, and so on).

Thus, despite what appears to be a radical shift from the WC to the PWC, upon closer analysis the PWC only represents a limited break from it. This can be highlighted in two ways. First, despite its rejection in principle of the neoliberal free market ideology and one-model-fits-all WC policies, the PWC remains wholly committed to mainstream economics. This is strikingly brought out by one of the leading proponents of the new (market imperfections) development economics. In his book, appropriately entitled *One Economics, Many Recipes*, Dani Rodrik (2007, p.3) pronounces:

This book is strictly grounded in neoclassical economic analysis. At the core of neoclassical economics lies the following methodological predisposition: social phenomena can best be understood by considering them to be an aggregation of purposeful behaviour by individuals – in their roles as consumer, producer, investor, politician, and so on – interacting with each other and acting under the constraints that their environment imposes. This I find to be not just a powerful discipline for organizing our thoughts on economic affairs, but the only sensible way of thinking about them. If I often depart from the consensus that “mainstream” economists have reached in matters of development policy, this has less to do with different modes of analysis than with different readings of the evidence and with different evaluations of the “political economy” of developing nations ... [T]he tendency of many economists to offer advice based on simple rules of thumb regardless of context (privatize this, liberalize that), is a derogation rather than a proper application of neoclassical economic principles.

Second, although the developmental state literature played a major role in discrediting the WC since the 1980s, the PWC has proceeded as if this concept, and its more systemic approach to development, does not exist. In part, this reflects the peculiar relationship between mainstream (WC or PWC) development economics and development studies. The latter has always been at least multidisciplinary if not interdisciplinary, was borne out of support for decolonisation and

antipathy to modernisation as a unifying framework for addressing (under)development. Significantly, the discipline was housed in newly formed dedicated departments in the UK and several Western European countries, but in non- economics disciplinary departments in the United States. While these arrangements have allowed its radicalism to persist, it was gradually outflanked as well as encroached upon by the rise of the new development economics within and around economics departments, and the increasing influence of the Washington institutions over the entire development agenda since the early 1980s (Fine, 2009b).

Neoliberalism, Politics and Development

Such considerations are crucial in broaching the politics of the WC and its critics. The IMF and, later, the WC, were notoriously equivocal in their commitment to political democracy. Their casual attachment to political liberalism was driven by an overwhelming commitment to the geopolitical interests of the United States and, later, to the shock therapy associated with the first stage of the neoliberal reforms. If these reforms could be imposed only by an undemocratic state, as was the case in Chile and elsewhere (see above), the Washington institutions would turn a blind eye to human rights and other abuses.

However, as the 1980s progressed the simultaneous spread of democracy and neoliberalism demonstrated that political openness was not inimical to economic “responsibility”. Further evidence supported an even stronger case for democracy within neoliberalism. Mainstream academics and the Washington institutions gradually realised that democratic regimes can more reliably deliver the jurisdictional certainty required for the smooth functioning of the (financial) markets than most dictatorships. This is largely because of the constitutional attachment of the democratic regimes to due process and the rule of law (see, for example, Gill, 2002). When neoliberalism achieved worldwide hegemony, after the fall of the Berlin Wall and the implosion of the international left, and in the light of the controlled transitions to democracy in Latin America and South Africa, the dangers of “rogue” (undependable) dictatorships trumped the Western fears of political openness in the South. These fears were, traditionally, grounded on the supposed propensity of democratic regimes in poor countries to accommodate populist electoral majorities and their inability to contain leftist agitation. These concerns remained in the background, but they were tempered by the realisation that, once the neoliberal reforms had been introduced, it would be harder to reverse them in a democracy to the extent that the logic of financial and financialised policy discipline imposed its apparently sacrosanct logic upon the constitutional process and the institutional fabric of the country (see below). The crisis starting in 2007 has exploded the associated myth of TINA (there is no alternative) not least as, in the midst of economic crisis, developed countries with the USA in the lead, have dedicated vast resources to shore up a dysfunctional financial system having previously denied such resources and corresponding interventionist policies to their own populations and to developing countries for health, education, welfare and aid in far more favourable circumstances. In fact, Oxfam has

estimated that the financial rescue packages would suffice to eliminate world poverty for the next fifty years.²

Retrospectively, it is clear that the WC had stumbled, casually, upon the best of all possible worlds. The neoliberal reforms transferred to the financial markets the responsibility for allocating social resources, while political democracy supported these reforms through the institutionalisation of a legitimate state which was, simultaneously, permanently hamstrung by some combination of insufficient administrative capacity (after the “roll-back” of the state through the neoliberal reforms), fractious multiparty legislatures and bitterly competing sectional interests, which inevitably flourish in a democracy. In these fragmented and structurally weakened states, the balance of power is preserved by an “independent” judiciary that locks in the neoliberal reforms under the guise of the “rule of law”, an independent central bank, or conditionalities imposed in return for aid.³

In contrast, the PWC has always been more sensitive to the non-economic domain than its heavily blinkered predecessor, and it proved to be better adapted to the new circumstances. In the 1990s and 2000s, Stiglitz and his associates rationalised the emerging synthesis between

² Oxfam press release, 1 April 2009,

<http://www.oxfam.org.uk/applications/blogs/pressoffice/?p=4078> (accessed 13 July 2009). ³

Typically, the limited achievements of the Lula administration in Brazil, despite the high expectations elicited by his presidential election, were mirrored by similar lame improvements in social policies and economic outcomes in most countries caught in the ‘pink tide’ across Latin America (Argentina, Chile, Nicaragua, Paraguay and Uruguay). Only in those countries where the Constitution was rewritten (Bolivia, Ecuador and Venezuela) were more significant achievements possible. See, for example, ECLAC (2008).

political democracy and neoliberal economic policies under the guise of institution-building and the imperative to limit corruption (which is, presumably, better achieved in a democracy), in order to support long-term economic growth. The emerging commitment of the Washington institutions with political democracy was supported by the expanded conditionality promoted by the World Bank, which included not only the narrow menu of policy reforms identified by John Williamson as the Washington Consensus,⁴ but also a whole raft of, at times, less tangible reforms aiming to consolidate “good governance”.⁵

These mutually reinforcing reasons to promote democracy in the South were enthusiastically supported by the development industry which preyed upon, and thrived in and around, the aid-dependent countries. The Washington institutions could finally establish a constructive dialogue with the aid agencies and NGOs which, in the not-too-distant past, had criticised heavily the human cost of the WC policies (see, for example, Bracking, 2009 and Green, 2008).

Conclusion

The accretion of conditionalities and policy reforms by the PWC reveals its attachment to the same conception of development previously espoused by the Washington Consensus. That is, development as the natural (financial market-led) outcome of a set of more or less narrow, and sometimes shifting but unambiguously “correct” policies imposed from above, and under external guidance. Paradoxically, this has been compatible with a significant increase in the degree of legitimacy of the policies associated with the Washington institutions, as they have been embraced, within limits, by some of its erstwhile critics.

This emerging accommodation suffered a grievous blow with the onset of the 2007 financial crisis. As the crisis unfolds, and the mainstream seeks shelter under heavy state intervention while, simultaneously, seeking to blame poor financial sector regulation for the debacle, the rationale for untrammelled liberalisation has lost its residual credibility. It is unlikely to disappear completely while capitalism remains, but it may become marginalised for a relatively long period of time. In contrast, the PWC, with its boundless capacity to incorporate policy novelties and refinements while remaining faithful to the tenets of the mainstream, is likely to prosper and to become the hegemonic player in the development field, including the Washington institutions, academia, and many aid agencies.

These included fiscal discipline; 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; competitive exchange rates; trade liberalisation; liberalization of inflows of foreign direct investment; privatisation; deregulation (to abolish barriers to entry and exit), and secure property rights.

The augmented WC includes improvements to corporate governance; anti-corruption; flexible labor markets; WTO agreements; financial codes and standards; “prudent” capital- account

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opening; non-intermediate exchange rate regimes; independent central banks/inflation targeting; social safety nets, and targeted poverty reduction.

Although the PWC can more readily accommodate different institutional arrangements, state intervention and pro-poor policies, which is commendable from the point of view of the critics of the WC, the greater plasticity of the PWC could make it extremely difficult to dislodge, although this is not impossible. The need and prospects for alternative development strategies, and for heterodox understandings of the development process, to supplement and support the social movements challenging neoliberalism and regressive economic policies, remain as urgent as they are uncertain in scope, content and appeal.

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