Williamson's Retort to the Critics: From the "After" to the "Amended" Washington Consensus

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Abstract:

The "Washington Consensus", was a set of reforms for economic development developed by Williamson in 1989 that he judged to be desirable for most Latin American countries by "Washington". "Washington", for Williamson, incorporated the International Monetary Fund (IMF), the World Bank, and the US executive branch, the Federal Reserve Board, the Inter-American Development Bank, those members of Congress interested in Latin America, and the think tanks concerned with economic policy; it is an amalgamation of political, administrative and technocratic Washington. The ten policy recommendations of the Washington Consensus were converted into "the Ten Commandments" for international development policy. However, the Washington Consensus was identified as a "neoliberal manifesto" and received a vast amount of criticism. In response, Williamson offered a new set of policies with the title: "After the Washington Consensus" (2003). The set of policies were also presented as the "second-generation" of reforms to distinguish them from the original Washington Consensus renamed as the "first-generation" of reforms. Subsequently, a set of qualifications were offered by Williamson as suggested in his writings after 2003, which I name the "Amended Washington Consensus". The aim of this paper is to compare the two set of controversial policies the "After the Washington Consensus" and "Amended Washington Consensus" and determine whether the term is still relevant as a strategy for economic development.

1. Introduction.

The Washington Consensus was formed, in 1989, by John Williamson to describe the consensus, initially for Latin America and then for international development by international institutions in Washington. However, the Washington Consensus received wide criticisms as the policy set, was labeled a neoliberal manifesto and alternatives were sought in the form of a Post-Washington Consensus, Washington Contentious, and Augmented Washington Consensus etc. Even so, after subsequent interpretations and misinterpretations, expansions and contractions, agreements and disagreements, and lastly in attempting to maintain originality or offering alternatives the Washington Consensus evolved in an attempt to react to the ever-changing economic conditions. As a result, a question can confidently be posed: Is the Washington Consensus still quite relevant today? My response is undoubtedly positive. For the reason that only in 2008 there were 224 types of conditionalities imposed by the IMF on 15 countries (Hailu, 2009). As well, despite the recent raised expectations about a radical change in the policy stand on part of the IMF in light of the recent financial crisis there has been no substantial modification in the principles of policy recommendation: monetary policy remains locked to strict targeting of a very low inflation (the upper limit though has increased from 2% to 4%) and fiscal policies remain linked to automatic stabilizers (McKinley, 2010, p.2). In the end, "in many ways the general framework [of the IMF] should remain the same" (Blanchard *et al.*, 2010, p.16).

Nevertheless, the changing character, whether small or big, of the Washington Consensus requires meticulous studying to reveal the underlining assumptions and the nature of reforms. The critic of the reforms has been concentrated and effectively trapped to either the original Washington Consensus or the Post-Washington Consensus developed by Stiglitz (1998). While the fundamental assumptions of the Washington Consensus remain intact, we still need to study the changing character of the Washington Consensus to be able to respond sufficiently. The purpose of the paper is to determine the change in policies associated with the "After the Washington Consensus" and what I name the "Amended Washington Consensus" identifying in this way the updated versions of the consensus. As a result, we can move away from the original Washington Consensus and follow the evolution of the set of policies in order to offer an effective alternative. Students of international development would benefit from these findings as they would be able to determine and compare the differences between recent development programs as pursued by the international financial institutions. The paper is structured as follows: Section 2 presents the After the Washington Consensus and its relationship with the original Washington Consensus. Section 3, provides Williamson's retort to his critics, Section 4 presents what I name the "Amended Washington Consensus and finally Section 4 concludes.

2. After the Washington Consensus

Williamson (1999, p.1) maintains that "the debate on economic policy reform is one which I [Williamson] became engaged almost by accident ten years ago, when I [Williamson] invented the now notorious phrase 'the Washington Consensus'". At the time, there was a general misconception, based on Williamson's assessment, that Latin America countries were unwilling to undertake significant reforms to avoid the debt crisis. For that reason, in November 1989, the Institute for International Economics convened a conference to investigate the progress of economic reforms in Latin America. In this conference, Williamson found the opportunity for the first time to reveal his new-found term *Washington Consensus*, in a paper entitled *What Washington Means by Policy Reform?* The papers presented at the conference were subsequently edited by Williamson (1990) and published in a book and as a result the term "Washington Consensus" became well-known. As a matter of fact, the Washington Consensus was initially "…what most people in Washington believed Latin America (not all countries) ought to be undertaking as of 1989 (not all times)" (Williamson, 2002a, p.1) and the "Washington Consensus was originally used to describe a list of ten reforms that I [Williamson] argued were practically universally agreed in Washington to be desirable in most Latin American countries" (Williamson, 2004-5, p.195). In spite of this declaration, the ten policy recommendations were converted into "the Ten Commandments" for international development policy (Williamson, 2004, p.3). Williamson (2003a, p.6; 2003b, p.320) also labels the set of policies as the "first-generation" of reforms to distinguish them from what subsequently become know the "second-generation" of reforms. The Washington Consensus is presented in Table 1.

PLACE AROUND HERE TABLE 1

Williamson (2000, p.262) insisted that the Washington Consensus policies accelerate growth and eventually equitable distribution of income, as a result of macroeconomic discipline, a liberal market economy, and openness to the world (at least in respect of trade and FDI). While these ideas were considered as orthodox within OECD countries, "there used to be a sort of global apartheid" (Williamson, 2002a, p.2) that divided "the globe into First, Second and Third Worlds, each with its own economic laws" (Williamson, 2004, p.12) claiming that developing countries were quite unique. The erroneous dominant perception at the time, based on Williamson's judgment, was that developing countries benefit from inflation (so as to reap the inflation tax and boost investment); a leading role for the state in initiating industrialization; and import substitution. In contrast, "the Washington consensus said that this era of apartheid was over" (Williamson, 2002a, p.2).

The Washington Consensus was based on the Reagan-Thatcher agenda discarding the "pretty nutty" (Williamson, 2002b, p.5) part of the program, such as monetarism, supply-side economics, minimalist government and therefore minimal taxes, and capital account convertibility. Williamson (1999, p.2) is in favor of government action, as an efficient economy requires a government to preserve a stable macroeconomic environment, so as to reduce unreasonable uncertainty and to provide public goods. In addition, market failures can be addressed only by government action, in the presence of externalities, monopolies and income inequality. Especially with regard to the latter, "the old and necessarily divisive question of income distribution is back on the table (some of us think it was scandalous that it was ever off the table, but the fact is that, at least in Washington, it practically disappeared as an issue in the 1980s)" (Williamson, 1999, p.16). Any remaining activity does not require government action and thus can be exercised by the private sector.

Williamson (1999, p.2) is aware that he is restricting the debate only on economic issues. This is because his comparative advantage is on economic issues, while he "doubts my [Williamson] ability to say anything very interesting about issues of national security or sovereignty or gender or human rights or crime. It does not imply that I am so stupid and so insensitive as to doubt the importance of these issues, some of which (like national security) are also preconditions for economic prosperity and others which (like gender) demand their own reform agenda" (Williamson, 1999, p.2). The implicit goal of founding the Washington Consensus was that "indeed, in my more optimistic moments I still dare to hope that the broad objectives of the reform movement will come to enjoy the same general acceptance that human rights and democracy do, as things about which there is no need to do battle because the battle has been won and almost everyone is content with the outcome" (Williamson, 1999, p.16). By agreeing about the general direction of reform, we will not get bogged down and confused with the details. By subscribing to the Washington Consensus there would still be topics of controversy, although in this case the debate would become more constructive (Williamson, 1999, p.20).

In fall of 1999, during a conference at Princeton University, Pedro-Pablo Kuczynski expressed his concern to John Williamson about the economic stagnation in Latin America. Kuczynski suggested, as before, convening a team of experts for a comprehensive reassessment of the situation and to make recommendations. The director of the Institute for International

Economics Fred Bergsten agreed and the team was established. The group had three meetings, twice in Washington (in 2000 and 2002) and once in Montevideo (2001). A book was produced as a result, edited by Pedro-Pablo Kuczynski and John Williamson (2003) titled: *After the Washington Consensus Restarting Growth and Reform in Latin America*.

As the Washington Consensus did not contain all the answers to the policy questions in 1989 and as circumstances have changes "so of course we need to go beyond it" (Williamson, 2008a, p.30). Economic reform cannot be static; more so regarding economic policy (Williamson, 1999, p.1). "So the proposition that there is a need to supplement what I laid out as the Washington Consensus seems to me unobjectionable, indeed compelling" (Williamson, 2004-5, p.11). Thus, the agenda for development requires updating in the light of changing times, but this time with no responsibility to maintain consensus (Williamson, 2008a, p.23). *After the Washington Consensus* is a policy agenda for Latin America from 2002 onwards (Williamson, 2003a, p.18) with the goal of reviving the economic momentum (Kuczynski, 2003, p.31), "as to put them back on the road of catch-up growth that most people thought they had achieved before the debt crisis" (Williamson, 2003b, p.305). But this time, the objective is twofold accelerating growth and improving income distribution. On the one hand, Williamson (2008a, p.24) states: "Note that this new agenda, like the original Washington Consensus, was aimed specifically at Latin America at a particular moment of history, rather than claiming to be a text for all countries at all times as many critics have interpreted it to be". On the other hand Williamson (2004, p.12) argues: "I need first to outline what our new strategy, presented in Kuczysnki and Williamson (2003) suggests (Latin American) countries ought to do". Interestingly, Williamson placed Latin American countries in a parenthesis: was he implying a universal strategy for developing countries *again*?

Williamson (2003a, p.2) empathized with Latin Americans, as they deserve to feel disappointed with the outcomes of the reforms. In 2001-2 there was no net increase in output at all, the worst performance since 1982-3, at the start of the debt crisis. Latin America remained the world champion of inequality (Navia and Velasco, 2003, p.265). Consequently, Latin Americans deserved to know what went wrong; accordingly they want a new agenda that promises to correct the flaws of the past and there was still faith in the original set of reform policies. Neither the Washington Consensus nor globalization can be blamed for the region's disconcerting economic and social outcomes.

It would have been easy to dismiss the criticisms of the Washington Consensus on the basis of the fact that the term has been used with different meanings than what Williamson assign to it (Marangos, 2009, p.366-70). To avoid the easy solution, the first question asked was: "Did the Washington Consensus fail?" followed by "Whether the poor performance of Latin America can be legitimately attributed to the Washington Consensus?" Williamson (2003a, p.5) identifies three reasons in an attempt to explain that outcomes did not match the expectations a decade ago: firstly, the crisis vulnerability of the region was one of the major reasons for the disappointing outcomes. The series of financial crises, starting with Mexico at the end of 1994, was the result: encouraging capital inflows with the end result of overvaluing the currency; using a fixed or crawling exchange rate as a nominal anchor; or pursuing a procyclical fiscal policy with the consequence becoming vulnerable to "sudden stops" in capital inflows and unable to relax fiscal policy in hard times. On the one hand, it is true that the consensus did not stress crisis avoidance, as it was not an urgent issue in the late 1980s; on the other hand, it did not compel countries to pursue “such foolish acts” that led to the crisis (Williamson, 2003a, p.5; 2003c, p.328). Those were not urgent issues in the late 1980s, so a caution against the aforementioned polices was not integrated in the Washington Consensus. Nevertheless, “crises have sometimes been caused by bad – that is dogmatic – macroeconomic policies” and in this instance Washington, not Williamson’s Washington Consensus, is indeed guilty of irresponsible recommendation for capital account liberalization (Williamson, 2003b, p.308; 2003c, p.328).

Secondly, the reforms were incomplete, less than ideal, they were not pushed far enough; some of the reforms were neglected (for example, the labor market which remained strongly dualistic, resulting in an ever-growing informal sector) or were incomplete (financial reform). While budget deficits were eliminated there was no attempt in good times to run budget surpluses that would have given the opportunity for deficit spending in bad times. Thus, the consensus cannot be responsible for governments that did not pursue the reforms as much as necessarily. It appears that the institutional foundation, “the second-generation reforms”, for such resolute program was weak; the strengthening of institutions was necessary to allow the first-generation reforms to bear fruit (Williamson, 2002a, p.3). Williamson (2003c, p.329) admits that the Washington Consensus concentrated on policies, not institutions. Nevertheless, the recognition of institutional reforms as an important element for economic development occurred in the 1990s. The Washington Consensus was a product of its time concerned with reforming policies. Thus, the consensus cannot really be blamed as the Washington Consensus could not had been ahead of its time (Williamson, 2003c, p.329) and so there was little recognition of institutional issues (Williamson, 2004-5, p.199). Lastly, the objective of the reforms was too narrow; the objective remained accelerating growth without worsening income distribution, not growth with equity. But this was the view subscribed to by Washington in 1989. However, what can be pointed out as a legitimate criticism, is not that the reforms contributed to poverty, but rather that the reforms failed to deal with the structural causes of poverty. As a result, “…it would be a mistake to treat further trade liberalization as a reliable weapon for overcoming the region’s inherited inequality. It is perfectly reasonable to seek further trade liberalization on efficiency grounds; the point is that this one stone cannot be relied on to kill two birds” (Williamson, 2003b, p.313-4).

Williamson (2004-5, p.198) never had the intention for the list of policies to be used as a cookbook. “My review of the ten policy prescriptions that composed my version of the Washington Consensus has not, I trust, given the impression I believe they embodied all the truth and nothing but the truth, any more that I think there was a lot that needs retracting in the light of experience” (Williamson, 2004, p.12). In conclusion, it is clear that countries ought not to have adopted the Washington Consensus as an ideology as there will always be other things that matter that are not included in the general set of policy guidelines, “and for a policymaker to imagine that s/he can stop thinking and simply follow a set of policies that someone else has concocted is irresponsible” (Williamson, 2002a, p.3).

Even in the case of Argentina, widely regarded as the poster child for the Washington Consensus (Williamson, 2003a, p.2), whilst in 2001-2 the country was embroiled in the deepest crisis that has been experienced in Latin America at least since the 1980s, the Washington Consensus cannot be held responsible as well. Argentina did many good reforms, according to

Williamson, but in 1991 Argentina adopted a currency board that was successful in eliminating hyperinflation, but being so rigid system it overvalued the currency to excessive uncompetitive levels. At the same time, Argentina failed to implement the strict fiscal policies required for the currency board to succeed. Both these policies were not consistent with the Washington Consensus; thus it is unwarranted to blame the consensus for Argentina's disaster. "Look at items 1 and 5 in the list above, and you will see why I resent people trying to blame the Washington Consensus for the Argentinean collapse" (Williamson, 2004-5, p.199). In conclusion, "… so it is unambiguously wrong to blame the latter [the Washington Consensus] for Argentina's tragedy" (Williamson, 2002a, p.3-4). As well, "I find it a bit rich to hear the Washington Consensus blamed for Argentina's implosion" (Williamson, 2004, p.8). Consequently, countries should not have embraced the Washington Consensus as an ideology, as an ideology is interpreted as a thought-economizing device (Naim, 2000, p.88). To this argument Williamson adds that any new set of policy guidelines, as of 2002, must also include recommendations regarding as crises avoidance.

The aim of the new agenda is to correct all the aforementioned problems. The editors of this book made an effort of not "repeating ad nauseam" the phrase "Washington Consensus" in the text. "When a term has come to acquire such different meanings, it is time to drop it from the vocabulary" (Williamson, 2003d, p.12)[1]. The naming of the new set of policies "After the Washington Consensus" was a conscious act to call attention to "our belief that it is high time the world moved on from tendentious ideological debates in which the Washington Consensus is caricatured as a neoliberal manifesto to serious discussion of the new wave of reform the region needs to restart growth and make it more equitable than it has been in the past" (Bergsten, 2003, p.viii). There is no attempt to establish a consensus again; the set of policies offered are those that the authors of the book believe are considered necessary (Williamson, 2003c, p.330) and "…it [After the Washington Consensus] is not presented as ultimate truth" (Williamson, 2003b, p.321).

There is no longer any consensus! Actually, Williamson (2003d, p.11-12; 2004-5, p.200) points out that there was disagreement on economic policy between the Bush administration and the Bretton Woods institutions. Worth mentioning were the criticism of Bush's fiscal policy by the IMF in the *World Economic Outlook* (2003). The contrast between the Bush administration's contempt for income distribution in the form of tax cuts and the World Bank's increased focus on poverty and income distribution as stipulated in the *World Development Report* (2000-1). With regard to capital account liberalization the IMF has retreated since the Asian crisis, while the Bush administration was using bilateral free trade agreements to "bully" countries like Chile and Singapore into reducing even the slightest capital controls (Williamson, 2003d, p.12; 2004-5, p.201). Finally, the U.S. policy on agriculture and steel received strong criticisms by the international financial institutions (IFIs). There were at least three major issues: fiscal policy, capital account and income distribution "with which the current stance of the Treasury is at loggerheads with the views expressed by the IMF and the World Bank" (Williamson, 2004-5,

[1] Williamson has been consistently maintained that the term Washington Consensus has been often labeled "neoliberalism" or "market fundamentalism" something different from what he had assigned to the term. As often happens, Williamson did not have intellectual property rights to control its meaning. As with Keynes, he could do nothing to stop the development of the perverse meaning that the neoclassical synthesis and new Keynesians assigned to Keynesian macroeconomics (Davidson, 2004-5, p.207).

p.200). Therefore, a new consensus in Washington "strikes me [Williamson] as fantasy", the result of the gulf between the Bush administration and the IFIs, as "the leading economic power has unbalanced its budget by the most inequitable tax cuts in living memory and denounced Kyoto …" (Williamson, 2003a, p.12).

There is a consensus, however, between the Bretton Woods institutions, but not between the Bretton Woods institutions and the U.S. Treasury. "So, in this sense, any Washington Consensus has simply ceased to exist – a reflection of the chasm that the Bush administration has opened up between the United States and the rest of the world" (Williamson, 2003d, p.12). It is not very useful under these new conditions to think of the term as a neoliberal manifesto (Williamson, 2004, p.18). Hence, overall "consensus has evaporated" (Williamson, 2004-5, p.200). Nonetheless, there is consensus in Washington, inline with Williamson's assessment, but now Washington is defined in a more narrow sense as only the international financial institutions. In addition, the new agenda does not involve the rejection of the Washington Consensus rather the completion of the reforms. Hence, *After the Washington Consensus* incorporates a consensus (in a smaller degree than before), the completion of the original reforms (not rejection), supplemented with new reforms. The naming of the new agenda is quite consistent. The new set of policies do not need to command a consensus, and it incorporates the policies that Williamson believes deserve to be implemented because time has passed and new ideas have developed (Williamson, 2008a, p.23). In the following I outline the policies of the *After the Washington Consensus* based on Kuczynski and Williamson (2003) in the order presented by the authors with the stipulation how each policy relates to the original Washington Consensus and placed in Table 1:

New Agenda I: Crisis Proofing: an objective of highest priority. Governments should attempt to reduce vulnerability to crises and stabilize the macro-economy "`a la Keynes" (Williamson, 2004-5, p.202). Volatility also explains the high unequal distribution of income. This policy requires: stabilizing inflation (consistent with the original Washington Consensus); to stabilize the real economy through Keynesian policies; sub-national governments subject to hard budget constraints; establish a stabilization fund; flexible exchange rates[2]; minimize the use of the dollar; monetary policy targeting a low rate of inflation; strengthening prudential supervision and increase domestic savings[3]. This policy is related with the original Washington Consensus and place in Table No. 1 in the following entries of: fiscal discipline, public expenditure priorities, financial liberalization, and exchange rates.

New Agenda II: Completing First-Generation Reforms: completing rather than reversing the reforms of the Washington Consensus. The original formulation of the Washington Consensus was a sensible, yet an incomplete reform agenda (Williamson, 2004-5, p.196). First of all, liberalizing the labor market, so as to encourage labor back into formal sector where labor will get at least minimal social protection; complementing import liberalization with better access to export markets in developed countries; continuing the privatization program, even though in some cases, it was carried out badly; and supplementing financial liberalization by the

[2] Williamson (2003b, p.320) accepts the need that there might be some situations in favor of fixed rates and in the case the economy is dominated by the USA dollarization is advised.
[3] In the Williamson (1997) paper, the father of the term substituted the original Washington Consensus policy "fiscal discipline" with "high savings".

strengthening of prudential supervision. It is reminded that "reducing government intervention in the economy is not the same as a desire for a minimalist government" (Williamson, 2003b, p.308). This policy is related with the original Washington Consensus and placed in Table No. 1 in all entries.

New Agenda III: Second-Generation Reforms: in the 1990s a key innovation in development economics was the recognition of the crucial importance of institutions in ensuring that the economy functions effectively, termed by Naim (1994) "second-generation reforms"[4]. A vital role for the state, which is perfectly consistent with mainstream economics, is creating and maintaining effective institutions, in providing public goods, internalizing externalities, correcting income distribution, decent infrastructure, a stable and predictable macroeconomic, legal and political environment and a strong human resource base. The second generation of reforms involves, in addition to the above, reforming the judiciary, education and civil services, building a national innovation system (to promote the diffusion of technological information, fund precompetitive research, providing tax incentives, encouraging venture capital and industrial clusters), modernizing the market institutional structure (property rights and bankruptcy laws) and institutional reform in the financial sector (strengthening prudential supervision). However, a mistake would be the initiation of an industrial policy, a program that requires government to "pick winners". There is more sympathy for a "cousin" of industrial policy, the national innovation system: government policy is to create an institutional environment in which those firms that want to innovate find the necessary supporting infrastructure such as to provide technical education to promote the diffusion of technological information, to fund precompetitive research, to provide tax incentives for R&D, to encourage venture capital, to stimulate the growth of industrial clusters and so on (Williamson, 2008a, p.27). Countries would be ill-advised that the state should play a leading role in the productive sector. It is true, however, that stimulating investment is a requirement to faster growth, and probably it did not get the scrutiny it deserved in the original Washington Consensus. However, " … while it may be right to leave the door slightly open for measures to subsidize investment, the fact is that I have yet to observe such measures-beyond competitive exchange rates and national innovation systems-that I would feel confident in recommending to other countries (Williamson, 2004, p.17). There is also the recognition that the second generation of reforms would differ for each country and cannot be determined a priori from the agenda. Williamson (2008a, p.27) recognizes that this is a departure from the Washington Consensus, which focused on policies rather than institutions. This policy would be placed in the row Institution Building as the result of the entry by the After the Washington Consensus.

New Agenda IV: Income Distribution and the Social Sector: growth is always pro-poor, as benefits trickle-down. But the poor will not benefit as much as they do not have much resources to start with, as in Latin America. Hence there is a case to be made for supplementing the gains of growth with a degree of income distribution. Progressive taxes are the traditional means for income redistribution, namely levying heavier taxes on the wealthy. While tax reforms have been implemented to broaden the tax base, in Latin America, by shifting from direct to indirect taxation, Williamson (2003a, p.16) now is in favor of reversing the process and increasing direct

[4] By the way, Williamson (2003a, p.2; 2003d, p.13) acknowledges that the term "second-generation reforms" is a misnomer, inasmuch that effective institutions might be a prerequisite for liberalization, which necessitates that the second-generation reforms ought to precede the first!

tax revenue by: establishing property taxation as the major source of revenue; elimination of tax loopholes and taxing income earned on flight capital. An increase in tax revenue should be used to reduce inequality by expanding opportunities for the poor, spending on basic social services, social safety net, education[5] and health. However, the strategy focuses more on measures to empower the poor to exploit potentialities ("bootstraps") rather than a massive redistribution of income through tax ("Band-Aids"). It is a long run strategy to allow access to assets that will enable the poor to earn their way out of poverty by improved educational opportunities, programs to provide property rights to the informal sector, land reform and microcredit. "Hence, our focus is on both accelerating growth and improving income distribution. We believe that both are possible and both are necessary" (Kuczynski, 2003, p.31). Income distribution is related with the original Washington Consensus and placed in Table No. 1 in the Tax Reform entry and social sector in the public expenditure priorities.

Williamson (2003a, p.18-9) admits that the strategy ignores or touches only briefly on democracy, social progress, illegal drugs, environmental issues, how Argentina and Brazil can escape the crisis of 2002, policies of the rest of the world and sequencing. It is clear that what the region needs is not an immediate boom, but rather sustainable and sustained growth that encourages the private sector, multinationals and microentrepreneurs to invest. This is the only way that "Latin America will never break out of the crisis syndrome unless it pays more attention to long-term issues" (Williamson, 2003b, p.321). Nevertheless, "the way forward is to complete, correct, and complement the reforms of a decade ago, not to reverse them" (Williamson, 2003a, p.18). This is consistent with "reforming the reforms" (Williamson, 2004-5, p.199) or "reform the reforms" as the Inter-American Development Bank program adopted in its 2002 annual meeting. In addition, as far as Stiglitz's post-Washington consensus is concerned, the new agenda includes all the crucial issues; hence the disagreement has become semantic and "whether we think it [Washington Consensus] is a Bad Thing" (Williamson, 2004, p.14). It was expected that the number of economists who would reject the new agenda would be substantially lower from those who objected to the original Washington Consensus.

There is significant overlap between the original Washington Consensus and the *After the Washington Consensus* set of policies; "but the overlap is not complete" (Williamson, 2003b, p.320). Some of the original reforms of the Washington Consensus – liberalization of foreign direct investment and interest rates – have been achieved. New reforms have been added, such as empowering the poor and crisis proofing. This is quite expected, as time passed the relevance of the original reforms and research and events modified what was professed as urgent. "Of course, none of this argues for abandonment what I meant by the Washington Consensus" (Williamson, 2003c, p.329). This time though there is less danger that the new list will be mistaken for a cookbook (Williamson, 2004-5, p.205).

The hope is expressed by the fathers of the new agenda that it will not be called "Washington Consensus II": "It is not the work of the Washington insiders. It makes no attempt to report a consensus (we did not even reach complete consensus among ourselves). The phrase

[5] Students of university education should pay a substantial part of the cost of their education, a call for cost recovery. Public expenditure on higher education should provide students loans and scholarships for the truly needy. "…but middle-class students who riot against being charged for access to a lifetime of privilege are the true enemies of an assault on inequality, and they need to be told so" (Williamson, 2003b, p.315).

has become so hopelessly ambiguous as to constitute an obstacle to clear thought. Let the agenda instead be assessed on its merits, as a contribution to a much-needed discussion of where economic reform should be heading as (hopefully) we leave behind the state ideological rhetoric of the 1990s" (Williamson, 2003a, p.13).

3. Williamson's Retort to the Critics

Williamson (2004-5, p.195-6) was "sublimely oblivious to the thought that I [Williamson] might be coining either an oxymoron …", as the term has been used in very different ways by different people (Williamson, 2008a, p.21), it has gained a "far more ideological tone" (Williamson, 1999, p.1), it "had become the center of fierce ideological controversy" (Williamson, 2008a, p.14) and "a war cry in ideological debates" (Williamson, 2003d, p.10). Nevertheless, this outcome was quite unpleasant for Williamson because he is not an ideologue (an ideologue knows the answer even before the circumstances of a question is stated) or an apostle for American imperialism (Williamson, 1999, p.1). "Indeed, I thought the ideas I was laying out were consensual, which is why I gave them the label I did" (Williamson, 2003d, p.10). "Some of the omissions were, as already mentioned, due to the fact that its origin dictated a limitation of its content to what was capable of commanding a consensus, so something was not already consensual, it did not make it to the agenda, even if I personally thought it was desirable and important" (Williamson, 2004-5, p.199). In contrast, Feinberg suggested that a better description of the policy list was "Universal Convergence" given that there was no consensus; even so, some form of agreement was wider than Washington. While Williamson agreed with Feinberg, it was too late to change "the terminology" (Williamson, 2008a, p.19) and "the brand name" (Williamson, 2003c, p.325).

By incorporating "Washington" in the term, Williamson (2004, p.1) reveals that it was actually regrettable in the end, as it suggested to the conspiratorially minded that the consensus was a list of policies that Washington was imposing on the world and that Washington was seeking to take credit for the reforms that governments were initiating (Williamson, 2004, p.1). The criticisms that distressed Williamson by large were produced from within Latin America, as the term implied that the reform agenda was supplied externally rather than designed from within Latin America. He states that this outcome was not his objective rather his original purpose was to make "Washington" the target of the propaganda as Washington was skeptical about the occurrence of reform in Latin America. "Had my intention been to make propaganda for reform in Latin America, the last city in the world that I would have associated with the cause of reform is Washington" (Williamson, 2003c, p.325).

In the meantime, some of the critics, such as Stiglitz, have distorted the Washington Consensus and presented the list as a neoliberal manifesto. However, Williamson (2004-5, p.201) "… regard['s this] as a thoroughly objectionable perversion of the original meaning". Those who opposed the policies of the Washington Consensus proposed policies emphasizing social equity, safety nets and institutional development which, they argued, were overlooked in the original Washington Consensus. However, "an odd feature of this literature is that almost never does it include any citations to substantiate the charge that the IFIs [International Financial Institutions] actually hold the views that the author attributes to them" (Williamson, 2004, p.2). By definition, the word "consensus" implies a wide measure of agreement, thus, Stiglitz and others have to demonstrate that the policies that they consider as the "Washington Consensus" are indeed adopted in Washington. Certainly, based on Williamson's evaluation, Stiglitz and others fail to do so, as the policies they described as a neoliberal manifesto are not in fact widely endorsed, even by the IMF or the World Bank. "Accordingly, I regard this usage of the term as mischievous" (Williamson, 2004, p.2).

Stiglitz using the East Asian experience demonstrated the inapplicability of the Washington Consensus as a development strategy. Notwithstanding, "I have no complaints about his [Stiglitz] handling of evidence, but his frequent resort to polemical language is only one degree less unscientific" (Williamson, 2002b, p.5). Williamson's (1999, p.4; 2008a, p.19) explanation for the fast growth of East Asian economies concentrates on what these economies had in common, such as macro stability and outward orientation, fiscal prudence, high savings rates, work ethic, competitive exchange rates, and investment in human capital, rather to what they did differently, such as industry policy, directed credit, import protection and less so in market liberalization. Although, "what I cannot believe is that Korea's success was primarily due to its industrial policy" (Williamson, 1999, p.4).

Based on Williamson's (2002b, p.4-5) ruling, " … there never was a consensus that the set of policies he [Stiglitz] defines as characterizing the Washington Consensus – fiscal austerity, privatization, and market liberalization – would provide any sort of panacea for the problems of developing countries". In reality, Stiglitz who endorses gradual trade liberalization and carefully done privatization, does not object so much to Williamson's Washington Consensus rather to neoliberalism that the Washington Consensus was branded that it was implying (Williamson, 2002a, p.2). Based on Williamson's assessment, the real motivation behind Stiglitz's repeated attacks on the IMF, by taking advantage of his Nobel Prize, was to win the anti-globalization protesters to his side so that they will endorse the "sensible" positions he advocates (Williamson, 2002a, p.5; 2002b, p.1). As such, "I [Williamson] once attempted to engage Stiglitz in a debate about the Washington Consensus. He declined to participate on the ground that he and I disagree little about substance as opposed to semantics and he did not consider semantics to be worth debating" (Williamson, 2003c, p.326). As a result, "if the battles are essentially semantic, why don't we all jump on its grave and get on with the serious work of pursuing an updated policy agenda?" (Williamson, 2008a, p.29).

Williamson, hence, rejects the accusation, as he never intended the term to imply the aforementioned policies such as monetarism, supply-side economics, minimalist government (getting the state out of welfare provision and income redistribution) and therefore minimal taxes, and capital account convertibility. "The vast majority of those who have launched venomous attacks on the Washington Consensus have not read my account of what I [Williamson] meant by the term" (Williamson, 2008a, p.20), as "…with those using the term this way apparently unconcerned with the need to establish that there actually was a consensus in favor of the policies they love to hate" (Williamson, 2008a, p.22). Unfortunately, Williamson (2002b, p.1) cannot deny that the term "is a damaged brand name", as argued by Naim (2003), realizing that "there are people who cannot utter the term without foaming at the mouth" (Williamson, 2002a, p.1).

This alternative interpretation of the term, which Williamson (2003d, p.11) names "populist", could never have arisen had commentators employed the careful taxonomic analysis "`a la Machlup" and careful definitions that Machlup instructed his students (Williamson, 2004-5, p.199). As a student of Fritz Machlup, Williamson has been taught to clarify how words were used to avoid confusion, as "semantic issues may not be the most exciting ones, but being clear about the way in which terms are being used is a necessary condition for serious professional discussion" (Williamson, 2008a, p.23). He eventually discovered that neoliberalism is a term originally coined to describe the doctrines espoused by the Mont Pelerin Society[6] (Williamson, 2002a, p.2). Williamson is unable to find any other definition, so he associates the term neoliberalism to designate the ideas espoused by the Mont Pelerin Society, or else it becomes just an "intellectual swear word" (Williamson, 2008a, p.16).

Williamson's (2003d, p.11) explanation for how the "populist" interpretation of the term surfaced is the result of opponents of reform manipulating the resentment of some reformers as they thought the term implied that they had adopted reforms because of pressure from Washington, and not as the product of their own internal decision-making process. Also by misconstruing the Washington Consensus as an extreme set of market fundamentalist ideas and by identifying reformers with a pretty nutty set of doctrines, subsequently the chance of discrediting reform would be enhanced. Meanwhile, "the danger is that Stiglitz's denigration of the Washington Consensus will serve to undermine the long-overdue consignment of this load of nonsense to the dustbin of history by those who do not realize what a narrow concept of the Washington consensus he is using" (Williamson, 2002b, p.5). Simultaneously, the Washington Consensus approval rating continued to increase, as even Lula the Prime Minister of Brazil had to endorse most of the consensus policies in order to get elected. Thus, "I am [Williamson] not persuaded by the evidence usually cited to support the notion that there is a backlash against the reform….So I see no persuasive evidence for the backlash thesis" (Williamson, 1999, p.16). Hence, the reforms "for most part they are motherhood and apple pie, which is why they command a consensus" (Williamson, 2002a, p.1).

Williamson (2004, p.1) admits that the Washington Consensus, as he articulated, was never a policy prescription for development, as it excluded policies that even though would promote development, but did not command a consensus. Despite that the term has been construed, by both supporters and opponents, as offering a policy prescription with wider validity across economies, "… but it becomes grotesque when it is inspired as an agenda for all countries at all times (as populist critics have done)" (Williamson, 2003d, p.11). "I will argue that my original formulation described a sensible, if incomplete, reform agenda. Debating what else is needed in order to promote equitable development is an important and worthwhile exercise. In contrast, the sort of ideological debate in which the term customarily bandied around has long outlived any usefulness it may at one time had" (Williamson, 2004-5, p.196).

4. From the "After" to the "Amended" Washington Consensus

[6] After World War II, in 1947, 36 scholars, mostly economists, with some historians and philosophers, were invited by Professor Friedrich von Hayek to meet at Mont Pelerin, near Montreux, Switzerland, to discuss the state and the possible fate of classical liberalism in thinking and practice.

For Williamson, there was nothing on the agenda with which he did not agree, it is quite obvious though that the Washington consensus did not represent a complete agenda, “but perhaps I was not always as careful in spelling that out as I should have been” (Williamson, 2008a, p.19) and “although, undoubtedly, I would word a number of propositions somewhat differently today” (Williamson, 2004-5, p.197). In addition, as a result, “I now feel even more uncomfortable with the realization that I may inadvertently have encouraged people to think they do not need to adapt to local circumstances but can operate from the same blueprint everywhere” (Williamson, 2004, p.16). In particular, the Washington Consensus describes general principles that should guide development policy “than a list of unqualified dos and don’ts” (Williamson, 2008b, p.1). Now by incorporating the following qualifications the Washington Consensus is identified with the reform policies such as macroeconomic discipline, a liberal market economy, and globalization, supplemented by a concern to build the institutions (what now is labeled the second-generation of reforms). In particular, the set of qualifications that Williamson suggested in his writings after 2003 subsequent to the “After the Washington Consensus”, I name the “Amended Washington Consensus”. In the following I outline the policies of the Amended Washington Consensus with the stipulation how each policy relates to the After the Washington Consensus and the original Washington Consensus and placed in Table 1:

1. Fiscal Discipline: while Latin American economies eliminated the massive budget deficits, consistent with the Washington Consensus, they did not target budget surpluses in good times that would allow deficit spending during recessions (Williamson, 2003a, p.6). In addition, Williamson insists and disagrees with Stiglitz that moderate inflation has no measurable growth effect and no serious welfare consequences. For Williamson, faster inflation and larger budget deficits are unacceptable due to the fact that inflation tax is regressive; the Phillips curve is vertical in the long-run, thus only minimal inflation is acceptable (Williamson, 2004, p.3).

2. Public Expenditure Priorities: contrary to the charges assigned by critics, Williamson states that he did not demand general cuts in public expenditure; specifically, he expressed his apprehension that “I [Williamson] fear that many public expenditure decisions are not made according to what economists think of as rational criteria” (Williamson, 2004, p.5). Even so, there are people in Washington who share the Wall Street Journal’s position for general cuts in public expenditure, however, this view did not command a consensus; thus by definition it could not be included in the list. By the late 1980s, based on Williamson’s appraisal, there was a change of heart, especially by the World Bank, for redirecting public expenditure in a pro-poor and pro-growth fashion, from non-merit subsidies to basic social services and infrastructure. “So that is what I put in the Washington Consensus (although most of its critics seem totally unaware of the fact)” (Williamson, 2004, p.5). This entry should be renamed as “Reordering Public Expenditure Priorities” by switching expenditure in a pro-growth and pro-poor way (Williamson, 2008a, p.16). Improving income distribution entails empowering the poor through education to increase human capital, encourage micro-enterprises to operate in the formal sector and micro-credit to permit micro-enterprises to buy physical capital (Williamson, 2003d, p.13).

3. Tax reform: Williamson admits that his proposal regarding tax reform in the original Washington Consensus “missed the basic objective” and thus “I [Williamson] find it difficult to give myself high marks, even though the point I made is a perfectly sensible one” (Williamson, 2004, p.5). The policy recommendation regarding tax reform to encourage development should have focused on the issue of increasing tax revenue, given the multiple-goals: correct budget deficits, increase public expenditures, and replace the revenue lost by trade reform. If the increase in tax revenue was produced by an increase use of VAT it had to be recognized that it is regressive and appropriate measures were required to correct the inequality produced (Williamson, 2004, p.5).

4. Financial Liberalization: Williamson confessed that he articulated financial liberalization in a too narrow sense and the entry has been renamed “Liberalizing interest rates” (Williamson, 2008a, p.17). While financial liberalization is important as specified in the original Washington Consensus, now there are two stipulations added: delaying capital account liberalization and creating appropriate supervisory institutions. With respect to the former policy recommendation, Williamson “got that point right”, whereas in the later he failed to call attention to the need to complement financial liberalization with the creation of appropriate supervisory institutions (Williamson, 2004, p.6-7).

5. Exchange rate: In contrast to Williamson’s exchange rate policy recommendation under the Washington Consensus, Washington eventually was adopting the two-corner doctrine, in other words a country must either fix firmly or float “cleanly”, to the point “that supporting anything else was a mark of metal imbecility” (Williamson, 2004, p.7). This “infatuation” with the bipolar solution did not promote development.

6. Trade Liberalization: critics of trade liberalization have mostly been non-economists fearing that reducing protection threatens jobs. Then again, an industry nurtured by protection, does not necessarily grow up to be internationally competitive, as for example the Brazilian auto industry (Williamson, 2004, p.8). There is a disagreement, however, on whether import liberalization should proceed according to a predetermined timetable of three to ten years (the World Bank view), or whether (the Williamson view) the speed of liberalization should be endogenously determined depending on the macroeconomic conditions and the strength of the balance of payments, as in Western Europe after WWII (Williamson, 2004, p.7). Nevertheless, the consensus was that there should be a gradual reduction of protective walls.

7. Foreign Direct Investment (FDI): Williamson rephrases this policy recommendation into “Liberalization of Inward Foreign Direct Investment”, to highlight that his advice was quite specifically about liberalizing the inflow of FDI, and not of general liberalization of capital flows; in particular there was no consensus as to capital liberalization (Williamson, 2004, p.9). Based on his judgment, the premature capital account liberalization was responsible for the Asian crisis that cut short the East Asian miracle (Williamson, 2004, p.9). Williamson, as he argues, was one of the few mainstream economists who opposed premature capital account liberalization in the emerging markets during the first half of the 1990s. He was utterly resolute that he specifically did not include comprehensive capital account liberalization (Williamson, 2004, p.6; 2008a, p.17). Nowadays, support for capital account liberalization has diminished substantially; hence, Williamson welcomes this belated support. Meanwhile, “the IMF surely deserves censure for its role in having helped create the East Asian crisis” (Williamson, 2002b, p.2).

8. Privatization: Margaret Thatcher's principal contribution to economic policy worldwide was privatization. It is the only doctrine which has a specifically neoliberal origin that made it to the list of ten desirable reforms (Williamson, 2004, p.9; 2008a, p.17). This was a policy proposal which originated as a neoliberal idea, defined by Williamson to refer to the doctrines propagated by the Mont Pelerin Society, however this policy has won broad acceptance. Nevertheless, it matters how privatization is initiated, as experience demonstrates that it can be a highly corrupt process that transfers assets to a privileged elite for a fraction of their true value. In the opposite case, the evidence is that privatization when implemented appropriately and when private firms are properly regulated, if they require regulation, it produces benefits, such as improved services (Williamson, 2004, p.10). Williamson questions the tendency for economists to easily to dismiss the public's concern about corruption during the process of privatization. "Perhaps the public would actually prefer to see wealth destroyed rather than transferred to those who acquire it by illicit means", thus, "we need to be extra careful that all future privatizations are squeaky clean" (Williamson, 2004, p.10). Williamson was surprised that Stiglitz stipulated that voucher privatization was promoted by the Washington Consensus. This was not at all true, as Washington had never displayed any particular preference for this type of privatization. Even so, Williamson (2000, p.256) agreed with Stiglitz that it was more important to implement a well-conducted privatization program than to do it speedily. The insider-voucher privatization that occurred in Russia resulted in the appropriation of the state assets for the benefit of the elite, which is not consistent with the goals of the Washington Consensus. Williamson criticized rapid privatization and was "skeptical about voucher privatization" (Williamson, 2000, p.256). A well-conducted privatization process, consistent with the Washington Consensus, required competitive bidding to increase efficiency and improve the public finances with benefits to all, including the poor.

9. Deregulation: the word deregulation is sometimes used to mean the elimination of regulations; this is not the meaning of the policy proposed in the Washington Consensus (Williamson, 2004, p.10). Deregulation encompasses specifically easing barriers to entry and exit, and not on abolishing regulations with respect to safety, protection of the environment, and governing prices in noncompetitive industries (Williamson, 2003d, p.10; 2008a, p.17).

10. Property Rights: It is interesting to note that Williamson confessed to Birdsall, de la Torre and Menezes (2001, p.5) that he added property rights mostly to get ten items. Speculating, from my part, the goal might have been as to establish the "10 Commandments of Economic Policy" (Williamson, 2004, p.3). Nevertheless, in some cases agrarian reform is necessary to provide access to land (Williamson, 2003d, p. 13). I am expanding this policy proposal to include "the institutional infrastructure of an economy" (Williamson, 1999, p.2). Williamson (1999, p.2) states that every economy requires a "social organization" that does not arise spontaneously, and hence, it is the responsibility of the government to provide such organization: "implying a need to nurture those institutions–notably laws regulating property rights, contract, the operation of corporations and banks, and bankruptcy, a judicial system capable of enforcing those laws impartially and efficiently, and a system of prudential supervision of financial institution–that are central to the operation of a market economy" (Williamson, 1999, p.2). The amended version of the Washington Consensus is presented in Table 1.

When the Washington Consensus was born, in 1989, it was quite a unique situation as there was at that time wide agreement about the urgency of reforms and of the distinctiveness of the type of reforms (Williamson, 2003d, p.11). Thus, it was quite legitimate to speak of a policy consensus at that time, based on Williamson's assessment. After this experience, there is no such thing as a new Post-Washington Consensus in the making. Stiglitz is fairly naïve, Williamson argues, in imagining the world on the road to a new consensus including issues of equity, sustainability, democracy, and growth. At the end, it is time to end the debate about the Washington Consensus, "when a term has come to acquire such different meanings, it is time to drop it from the vocabulary" (Williamson, 2003d, p.12). Yet "… the sort of ideological debate in which the term customarily bandied around has long outlived any usefulness it may at one time had" (Williamson, 2004-5, p.196).

5. Conclusion

The investigation of the "After the Washington Consensus and what I name the "Amended Washington Consensus and the comparisons with the original Washington Consensus, as developed in this paper, provides us with a new context to uncover the policies implemented and/or imposed in developing countries. This new policy context for international development ignites the responsibility for economists, especially for heterodox economists, to keep up with the latest to be able to offer an effective response to the new situation; in this way, economists, especially heterodox economists, will not be accused of being outdated. It appears that the After the Washington Consensus consists of the addition of new policies, as for example institutions, without dismissing and demanding the completion of the original policies. The Amended Washington Consensus requires adding reforms targeting development in a pro-growth and pro-poor way. Nevertheless, the underlying principles of the consensus remain consistent with the free market approach of orthodox economics.

Thus, the solution to the underdevelopment problem around the world does not appear to be the adding of more reforms to fill in the gaps in the consensus, "but to sweep away 'reform fetishism'" (Ocampo, 2004-5, p.294). Diversifying institutions, effective demand, equity, income distribution, and an observation to understand the "context-specific" dynamics of the real world are the foundation of any successful policies of growth (Gnos and Rochon, 2004-5, p.316). Most importantly, social and economic interests, either domestic or international, influence the choice of policies. Using or imposing a foreign approach which is not self-reflexive – "the idea of being reflexive simply means having an open mind and looking at your own project" (Gay, 2007, p.95) – can result in goals which may be inappropriate to the domestic situation. The imposition of foreign values and beliefs on economic policy proposals within the context-specific dynamics of customs and culture is likely to be simply wrong. In the end, global recession does not need to happen again as long as policies are designed for the real world and not for some theoretical configuration which is only valid in paper.

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Table 1: The After the Washington Consensus, the original Washington Consensus and the Amended Washington Consensus.

After the Washington Consensus		*Policies*	*Original Washington Consensus*	*Amended Washington Consensus*
New Agenda I: Crisis Proofing	Stabilizing inflation, sub-national governments subject to hard budget constraints, increase domestic savings.	**Fiscal Discipline**	Small Budget Deficit financed without resource to inflation tax	Faster inflation and larger budget deficits are unacceptable
	Stabilize the real economy through Keynesian policies, establish a stabilization fund	**Public Expenditure Priorities**	Redirect expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, health care and infrastructure.	Reordering Public Expenditure Priorities: switching expenditure in a pro-growth and pro-poor way
	Monetary policy targeting a low rate of inflation; strengthening prudential supervision.	**Financial Liberalization**	Market determined interest rates.	Delaying capital account liberalization and creating appropriate supervisory institutions.
	Flexible exchange rates, minimize the use of the dollar.	**Exchange Rates**	A unified competitive exchange rate.	Against adopting the two-corner doctrine

New Agenda II: Completing First-Generation Reforms	As the original Washington Consensus	**Fiscal Discipline**	Small Budget Deficit financed without resource to inflation tax	Faster inflation and larger budget deficits are unacceptable
	As the original Washington Consensus	**Public Expenditure Priorities**	Redirect expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, health care and infrastructure.	Reordering Public Expenditure Priorities: switching expenditure in a pro-growth and pro-poor way
	As the original Washington Consensus	**Tax Reform**	Broadening Tax base and cutting marginal tax rates	Increasing tax revenue, given the multiple-goals to correct budget deficits, increase public expenditures, and replace the revenue lost by trade reform.
	Supplementing financial liberalization by the strengthening of prudential supervision	**Financial Liberalization**	Market determined interest rates.	Delaying capital account liberalization and creating appropriate supervisory institutions.
	As the original Washington Consensus	**Exchange Rates**	A unified competitive exchange rate.	Against adopting the two-corner doctrine
	Complementing import liberalization with better access to export markets in developed countries	**Trade Liberalization**	Replace quantitative trade restrictions with tariffs of around 10-20%.	Gradual reduction of protective walls.
	As the original Washington Consensus	**Foreign Direct Investment**	Abolish barriers to entry for foreign firms	Liberalization of Inward Foreign Direct Investment
	Continuing the privatization program, even though in some cases, it was carried out badly	**Privatization**	State enterprises should be privatized.	Well-conducted privatization program than to do it speedily
	Liberalizing the labor market	**Deregulation**	Abolition of regulations that impede entry of new firms or restrict competition.	Not on abolishing regulations with respect to safety, protection of the environment, and governing prices in noncompetitive industries
	As the original Washington Consensus	**Property Rights**	Secure property rights which are also available to the informal sector.	Government responsibility to provide the institutional infrastructure of an economy and social organization.

New Agenda III: Second-Generation Reforms:	A role for the state: maintaining effective institutions, in providing public goods, internalizing externalities, correcting income distribution, decent infrastructure, a stable and predictable macroeconomic, legal and political environment and a strong human resource base. Reforming the judiciary, education and civil services, building a national innovation system, modernizing the market institutional structure and institutional reform in the financial sector	**Institution Building**	Not a concern.	Government responsibility to provide the institutional infrastructure of an economy and social organization.
New Agenda IV: Income Distribution and the Social Sector	Establishing property taxation as the major source of revenue; elimination of tax loopholes and taxing income earned on flight capital	**Tax Reform**	Broadening Tax base and cutting marginal tax rates	Increasing tax revenue, given the multiple-goals to correct budget deficits, increase public expenditures, and replace the revenue lost by trade reform.
	Improved educational opportunities, programs to provide property rights to the informal sector, land reform and microcredit	**Public Expenditure Priorities**	Redirect expenditure from politically sensitive areas to fields with the potential to improve income distribution, such as primary education, health care and infrastructure.	Reordering Public Expenditure Priorities: switching expenditure in a pro-growth and pro-poor way