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INTRODUCTION: THE WASHINGTON CONSENSUS REDEFINED

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ONE of the fundamental criticisms of the “Washington Consen-
sus” has been that it focused primarily on macroeconomic poli-
cies in trying to foster economic growth and stability without
realizing and factoring in the importance of institutional and legal reform. Anecdotally, one reason for this may be that the IFIs and RFIs have been
the roost of macroeconomists— even development economists and socio-
political economists were looked down upon and marginalized. As for
law and lawyers, law was seen as having little, if anything, to do with
economic growth and was limited to a functionary role in implementing
specific on-the-ground projects. However, when the primacy and efficacy
of the WC came into severe question in the mid-late 1990s, both from
without and within the IFIs/RFIs, the key importance of institutional and
legal reform came to the surface. It came to be understood that a sound,
accessible, and equitable economy could not be imposed from the “top-
down” on the basis of a “one-size-fit all” economic formula, but had to
evolve on a country-by-country basis from a percolation starting from the
bottom up. IFIs/RFIs could provide guidance and technical assistance,
but it was really through “country ownership” and commitment that
meaningful economic development could occur. This could not occur
without sound relevant institutional and legal infrastructures. This part of
this Symposium Issue is intended to focus on certain dimensions of the
“legal and institutional dimensions of reform.”

Dr. Genta-Fons, a Senior Legal Counsel to the World Bank and a dis-
tinguished alumna of our SMU-Dedman Law School, sets the stage for
appreciating this major change in the Bank’s development focus by ex-
ploring the complex task of practically building legal systems that are re-
sponsive both to global integration and the desired economic
development needs in Latin America.

Dr. Baquero from Columbia then looks at a specific aspect of institu-
tional reform, that is, respecting the structure, role, and “independence”
of Central Banks in Latin America. He demonstrates how this institu-
tional reform interconnects with the macro-economic goal of economic
stability and how impairment of or deterioration as to a Central Bank’s
appropriate institutional characteristics will cut against the macro-econ-
omic picture.
Professor Valadao of Brazil then makes a most interesting analysis vis-à-vis the FTAA and Mercosur processes. While both processes are dedicated to trade integration, he sees FTAA as more ties into the external, global WTO process—thus a reason why Brazil has linked the success of the FTAA to that of the WTO Doha Round: once Doha crumbled, Brazil backed away from the FTAA. He views Mercosur as more of an institution and region-based process than a dominant economic-based process, which he suggests is part of reason for the mismatch between Mercosur and the FTAA and for why expanding Mercosur may be a better alternative for the Latin American countries.

As the concluding piece, Dr. Brown of the Tower Center explores the dynamics (and lack thereof) of the FTAA process and how it has “promised too much and delivered to little.” She recognizes that many in Latin America have become disenchanted with a more global economic approach for improving domestic prosperity and for reducing poverty. In exploring the reasons for this disenchantment and for the breakdown of the FTAA process, she looks for a possible way for restarting the negotiations. In this context, she proposes that creating appropriate country infrastructure for the building of viable financial markets might create some renewed enthusiasm among Latin American countries for the FTAA processes.

In hindsight, not only was the name “Washington Consensus” a most unfortunate choice, but the economic reforms embraced by the WC were incomplete and one-dimensional ab initio, and when projected as a “full package” was inherently doomed for failure. For an IFI/RFI, it most always will seem convenient to have a macro-economic model of growth and a universal “game book” in hand, but as one can see, even within the Latin American context, growth by itself does not meet the desired economic, social, political, and human objectives of meaningful and sustainable development. Nor does one-size-fit all as to reform initiatives: each country presents an individual case based on particularized needs and circumstances. This being said, various component policies of the WC (e.g., fiscal discipline—something it appears the United States and other industrialized countries could benefit from) are of continuing merit, and the WC components should not be viewed as an “all or nothing” package, not as any or all components to be applied in the manner and sequence in all countries. Moreover, WC components should not be taken as being inconsistent with the objectives of institutional and legal reform and human development goals. In fact, in most instances, if the reform process is done right, all these components can mesh together to make a more meaningful, sustainable, and equitable mosaic of economic reform and development. In this vein, I would encourage our readers to review the “Overview” of the June 2008 World Bank commissioned “Spencer Growth Report” contained in the “Document” section of this Symposium issue.