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Beyond the Washington Consensus: Macroeconomic Policies in the 21st Century

Presentation Notes

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Outline of Presentation

- The Washington Consensus
 - The Strengths
 - The Weaknesses
- The Emerging Alternative
 - New Goal and New Objectives
 - Moving the Levers
 - New Macro Tools
 - New Processes
- Fitting it Together

The Washington Consensus

- Balanced Budget Policy
- Privatization, Market-Based Reforms and Governance
- Inflation-first Strategy and Declining Power of Workers
- Free Trade and International Institutions

The Strengths

- Low Inflation
- Emergence of the Corporate Sector
- Larger Role of Markets

The Weaknesses

- Growing Income Disparities
- Slower Growth
- Government Deficits and Debts
- High Unemployment
- Weakening Institutions

The Emerging Alternative - Why?

- Lack of progress
- Financial Crises
- Increased education and global communications
- Declining Hegemon
- Corporate Concentration

New Goal and New Objectives

- HD and EG
- Fuller Employment
- Less Inequality
- Focus on Productivity
- Stronger Role for Governments
 - More Public Goods
 - Leadership

Moving the Levers

- Monetary and Fiscal Policies
- Flexible Exchange Rates
- Structural Dimensions

New Macro Tools

- Social Capital and Cohesion
- Employer of Last Resort (ELR)

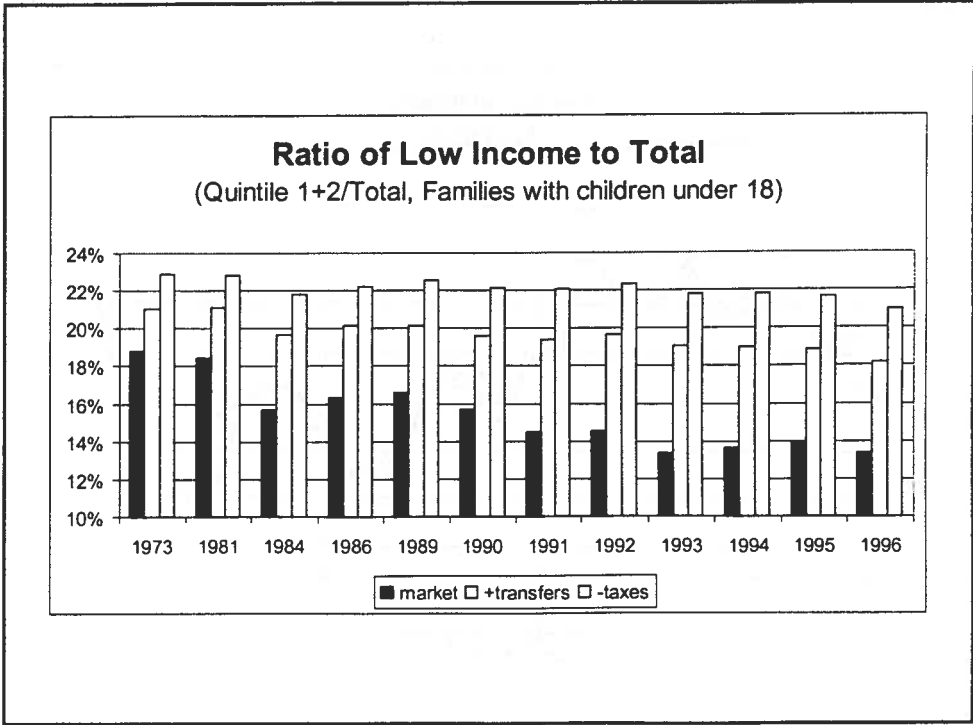
New Processes

- Reduce Power of Concentrated Wealth
- Strengthening the Participatory Capacity
- The Need for Improved Institutions
 - Economic and Social Council
 - Science and Environment Council
- Coordination among Governments
- Private Sector Changes

Fitting it Together

- Public Domain
- Balance



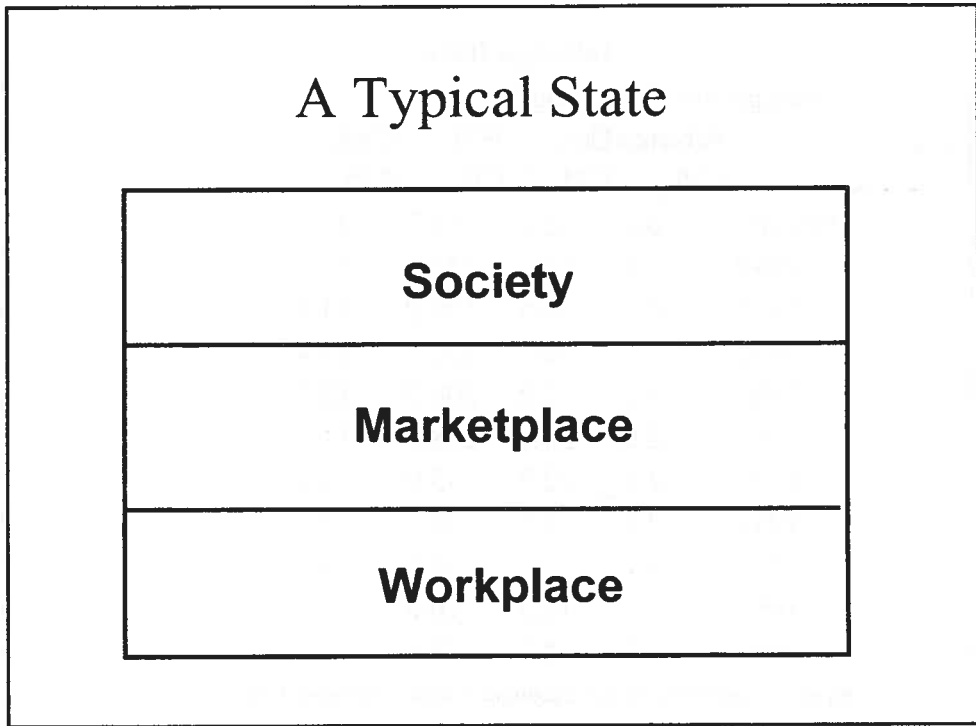
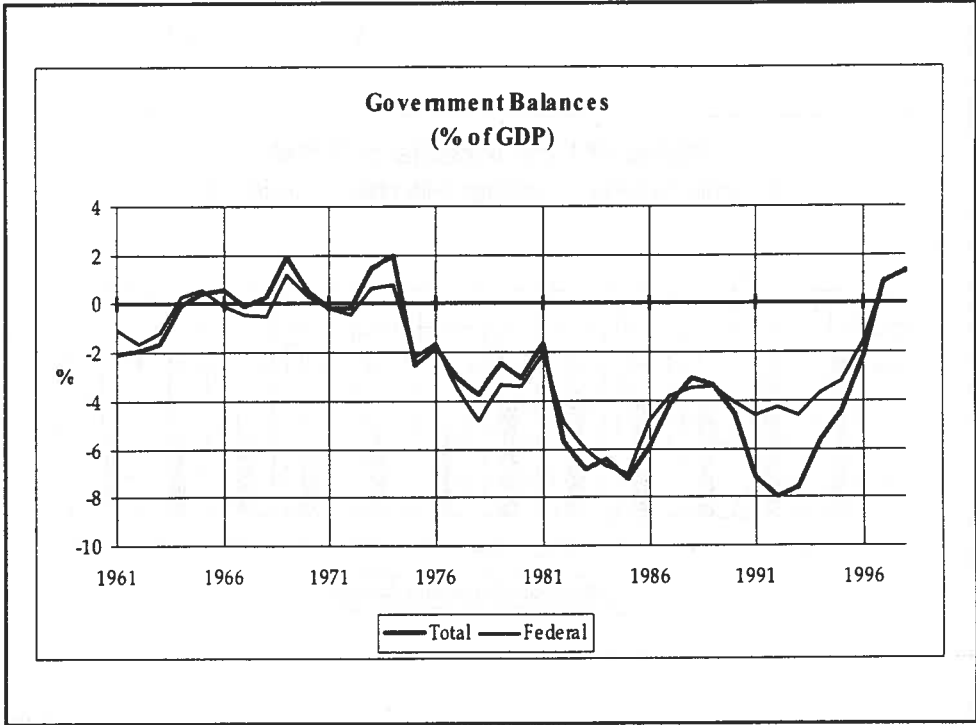


Inflation Rates

(average annual % change)

	Advance Dev. CPI	WH CPI	Chile CPI
1980-89	6.3	35.9	116.7
1990	5.2	68.2	438.4
1991	4.7	36.5	129.0
1992	3.5	38.7	151.4
1993	3.1	47.2	208.5
1994	2.6	51.6	208.3
1995	2.5	22.3	35.9
1996	2.4	14.1	20.8
1997	2.1	9.1	13.9
1998	1.7	10.3	10.8
1999	1.7	8.3	9.4

Source: World Bank, World Economic Outlook,(October 1998)



The Boxes

Society		
Minorities		Majority
Health, Education, Safety Nets, Redistribution		
Marketplace		
Consumer		Retailer
Purchaser		Seller
Distribution, transportation, communications		
Workplace		
Employees		Corporations
Labour unions		Other Businesses
Resources, Technology, Skills		

The Framework

Tradition	External	The State
Caring Trust of state	International norms	Individual rights Constitution State responsibilities
Honesty Service	International agreements Standards	Contracts Competition law Property rights
Work ethic Discipline	Intellectual property	Corporate laws Labour laws

Objectives

Prosperity

Competitiveness

Productivity

Productivity

- Improved human resources.
- Higher investment effort.
- Adoption of new technologies.
- Better infrastructure.
- Productivity twist.

How?

- Less inflation.
- Better macroeconomic performance.
- Right framework policies.
- Better education & training.
- Get the signals right.
- Capacity to use skills.
- Right organizational structures.

Competitiveness

- Improving the efficiency and effectiveness of the marketplace.
- Internationally, a relative concept, based on price, quality, deliverability, and service.
- Governments are involved, through regulation, standards, taxes and subsidies, crown corporations, international agreements, etc.
- Provision of physical infrastructure.

How?

- Improve the regulatory processes.
- Reduce internal barriers to trade.
- Improve access to international markets.
- Expand the information infrastructure on domestic markets and international economies.
- Assist Canadian firms in entering new markets.

Prosperity

- Rising real incomes for all Canadians.
- Sustainable environment.
- Provision of safety nets.
- Contribution to world economies through aid, etc.
- Improvements in regional economies.
- Provision of amenities (parks, etc.)
- Participation of citizens in processes.

How?

- Redistribution of incomes from a growing pie.
- Efficient health care system.
- High-quality education system, available to all.
- Encourage voluntarism and charity.
- Involve citizens in determining goals.

