THE BROOKINGS INSTITUTION

WEBINAR

WASHINGTON CONSENSUS REVISITED

PART II

Washington, D.C.
Friday, September 23, 2022

SESSION 3 | SUB-SAHARAN AFRICA EXPERIENCE

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SESSION 4 | WASHINGTON CONSENSUS AND GLOBAL DEVELOPMENT EXPERIENCE

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Closing Remarks:

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MR. HENRY: Good afternoon, everyone. And welcome back. We apologize for the technical difficulties, but we are very, very excited about the first session of this afternoon's portion of the symposium. And the first paper is entitled Washington Consensus Reforms and Lessons for Economic Performance in Sub-Saharan Africa. The authors are Belinda Archibong, Brahima Coulibaly and Ngozi Okonjo-Iweala and the presenter is Belinda Archibong. Belinda, the floor is yours.

MS. ARCHIBONG: All right. Thank you very much, Peter, for the introduction. Let me share my screen and just dive in because I know we're a little bit behind. So I'm going to keep my comments brief to like 10 minutes. And of course, you know, the paper is publicly available through the Journal of Economic Perspectives so please feel free to read and engage with the paper in detail for more detail past the 10 minutes.

All right. Let me try and share my screen. Katie, can you give me permission to share the screen? All right. So hopefully, everyone can see the full screen mode. Katie, is this good. Great. All right. Ten minutes.

So I'm going to talk about Sub-Saharan Africa, right? So this is -- we've had very, very nice previous presentations talking about the general perspectives of the Washington Consensus. We also talked about North America, and we wanted to focus on, you know, what has economic performance outcomes been for the reform adopters of Washington Consensus policies in Sub-Saharan Africa and really look over the last four decades, right?

So as was framed in the previous discussions throughout the '80s and the '90s when these reforms are first adopted you see a lot of decline in economic growth. And we said, okay, what happened afterwards in the 2000s, right? What happened to the countries that adopted these policies in kind of the decades since? Especially given a lot of the heated discussion recently around the kind of -- not just the legacy of these reforms but also what they need and what they imply for current economic development.

So we're going to examine. And what we do in the paper is we is we examine reforms in three-part categories. So about domestic market orient reforms focused on privatization especially. And fiscal reform, second one, focus around fiscal balance and also trade openness between 1980 and 2019 in Sub-Saharan Africa. And just to give you a preview of the results, we find that economic performance in line with previous literature is worse for reform adopters.

In the ’80s and the ‘90s from 2000 to 2019, we then see this reversal, right? So we see this reversal where you see highly median per capita GDP group or reformers over non-reformers in the post-2000 period. And this increase in economic growth even higher for reformers, right? So we see economic growth in both categories or we see higher economic growth for reform adopters. I will say that the analysis we are doing here is careful, descriptive work but it is not causal, right?

So we can think of many other reasons for why these reversals can be happening and we’ll talk about some of them briefly. Or we talk about some of them briefly in the paper. Thinking about debt relief, for example. Thinking about the increase in commodity prices or the so-called commodity super cycle of the 2000s and how that kind of relates or effects the growth outcomes for reform adopters and non-reform adopters.

And then lastly, we also do a very short case study looking at three countries. So two countries who had adopted these reforms, Nigeria and Ghana and then one nonreform country, Ethiopia. And, you know, taking also two of the largest countries in Africa, in central Africa and Nigeria by population. And trying to understand what their reform experience was and also what the outcomes were in terms of economic growth of these countries.

And the lesson we basically want to take away from this, and we're taking away from this very presentation is to say that the experience of the reformers is heterogenous, right? So yes, we do see this increase in economic growth for reformers over non-reformers in the post-2000 period, but crucially what we want to emphasize is how the reforms were done. You know, if they played any part in increasing economic growth which we are suggesting in the paper that it does is really the important thing here, right?

So that this focus and this shift in the post-2000 period it is focusing on propolicy and thinking about the sociopolitical environment and getting much more social and political capital in consensus and support for the reforms in the post-2000 period. And crucially again, this increase and focus on increasing spending, social spending in health and education was very, very necessary for reform success in the post-2000 period.

All right. So now that I told you the entire paper into the income thing and go leisurely in our last six minutes through some of the evidence that we talk about in the paper. So just brief background and I think we've covered this a bit already in the previous presentation, so I won't talk about this here in more detail.

But it's giving you the context of why African countries were in the state they were in the '80s and 1990s with the debt prices of the 1980s. So you have a lot of countries coming out of colonialism, right? We have colonialism and the ravages associated with colonialism with the associated negative effects in the development. And so, you have a lot of countries, you know, in Sub-Saharan Africa pursuing expansion, fiscal spending in the '60s and '70s spending on health and education and on infrastructure that is trying to spur economic growth and economic development in these countries.

When you add that to the fact that many of these countries are also commodity dependent. Think of Nigeria, for example, which had discovered oil in 1959 and then got this boon from the increase in oil prices in the '70s. You can see then why, or you can understand then why countries would have felt comfortable enough to borrow as much as they did from the international financial institutions over this '60s, '70s period of the expansion rate of fiscal spending just to help the fiscal spending.

So then, you know, you have recession in the 1980's and this debt crisis becomes a very, very big negative weight on many of the countries. And this is also the time when again, we've mentioned John Williamson and the Washington Consensus policies are being discussed in the (inaudible) in 1989 on the Washington Consensus. And around this time market array of policies, which I won't go into too much detail here because it's been discussed a little bit in the previous presentations.

But we want to focus on these picky ones, right? Of these three big ones we thought and can pass a lot of other policies in these three or four categories which is around fiscal discipline, around market oriented domestic reforms like privatization and around openness to trade liberalization and interest rate equalization as well.

So in the 1980s and 1990s, you can see from this graph, right? This is median GOP growth, the capita growth in Sub-Saharan Africa. You see this lower growth period in the ‘80s and ‘90s. And then you can see this reversal. This is what we're calling the reversal in the post-2000 period, right? When you see an increase in real geo-capital growth in the post-2000 period in Sub-Saharan Africa.

So this is what we are kind of identifying in this thing in trying to think about like what is spurring these reversals in the post-2000 period? The same thing happens with inflation, right? So relatively high inflation in the 1980s and the 1990s and you see this reversal in the post-2000 period.

So, you know, let me again talk about when we talk about reformers. I said there’s three broad categories. So for us, for our purposes we're going to do a very simple punctuated exercises to understand the growth outcomes or the appropriate outcomes of countries that were classified as reformers versus non-reformers based on these three broad categories. All right.

So using data from the World Bank and the IMF for about 48 Sub-Saharan African countries, we have, you know, domestic -- there’s three categorizations around domestic market-oriented performers. So these are people who have the total cumulative number of privatization deals between 88 and 99 of greater than or equal to six, which is the median for the region.

And for trade openness, we're going to go with the Zack Werner definitions on countries that are classified around trade openness. So thinking about do you have less than a negative charge rates or average charge rates of less than 40 percent. Do you have very little state involvement in terms of monopolies and state ownership of firms? So this is what we're going to consider when thinking about trade openness according to the Zack Werner definition.

And then for fiscal reform, we're going to talk about or we're going to define fiscal reform as having an average primary fiscal balance between ’95 and 1999, which is greater than minus 0.7 percent of GDP which was the median for the region as well.

Okay. So again, apologies rushing through. In the interest of time but just to give you the economic outline of the kind of countries that we have under the different types of reforms or adopted these different types of reforms. You can see many countries -- or there are a few countries that are repeated like Benha and Uganda which is one of the key ones that stands out as being repeated in each of these reform categories, right? It has domestic market reforms. It has trade openness. It has fiscal reforms.

In terms of the reforms most countries are on 59 percent of the countries in Sub-Saharan Africa adopt fiscal reforms. So fiscal reforms are the most popular category followed by trade openness reforms followed by domestic market or gender reforms around privatization.

And so, this is one of the big key results in the quantitative data that we show in the paper, right? So thinking about just in a very simple way, right, with the correlations. What has been the experience of economic growth and GDP like looking at median per capita GDP growth over the 1980 to 1999 periods? So this is the period of reform and in the post-2000 period for countries that adopt the reforms in each of the categories of reforms and versus the non-reforms, right?

So across all countries, you do see in Sub-Saharan Africa an increase in economic growth at 1.4 percentage points between the 1980 to 1999 period and then the post-2000 period. But you find across each of the other categories that we're showing here is that the reformers, right, so the people who score highly on each of those reforms that I mentioned before, fiscal reforms, domestic market-oriented reforms, trade openness reforms, do seem to be doing better, right, in terms of GDP growth rates than the non-reformer category.

They also start out -- this is the previous literature or the previous literature was showing. They start out in much worse straits, right, in the 1980 to 1999 period in terms of GDP growth rates than non-reformer categories. And then you can see those kind of stark reversals in the post-2000 period.

Okay. So why is this happening? I'm going to skip over a little bit of discussion that we have thinking about the increasing commodity prices in the early 2000s. Thinking about that kind of conditions around debt relief and I'm going to just go and highlight some of the case studies to understand what each of these countries or some of these countries are doing in the ‘80s period and in the post-2000 period where we see these reversal for reform adopters, right?

So the HIPC countries we see is the highly indebted poor countries. These are countries with a lot of debt as classified by the World Bank. And then we talk about commodity dependent countries, we're also talking about countries that have greater than or equal to 80 percent of total merchandise exports from commodities. So I'm going to skip over this in the interest of time.

But just to show you even when you consider countries that had a lot of debt relief versus countries that had less debt relief or nondebt relief countries, it does seem again that the reformers within the debt relief category seem to be doing much better in terms of GDP growth rates in the post-2000 period.

The same thing with the economic dependent countries, the reformers seem to be doing much better relative to the non-reformers even within the commodity dependent category.

Okay. So let me in two minutes tell you very briefly about Nigeria, Ethiopia and Uganda. You know, as I said, you know, you have two of the largest countries in Africa and one country, Uganda, that's considered as a very highly successful reform adoption country, right? So Nigeria and Uganda are also one of those populace countries in Africa. What do these countries do, right? So briefly let me give you Nigeria and let me talk about Uganda and Ethiopia.

So Nigeria in the 1980s and the 1990s again you see they're taking these loans. We talked about the structure adjustment program, low conditional loans with the IMF and World Bank. They do see lower growth rates, right? So in the 1980's period in Nigeria what reforms is Nigeria adopting? They're adopting domestic market-oriented reforms. They're on privatization. They're also adopting fiscal reforms around fiscal tightening. They're also doing this while having very severe cost in social spending and education and health, right?

So this also then increases hostility towards those reforms and, you know, we suggest in the paper, it seems to slow down any effectiveness of the reforms in the 1980s and 1990s. In the 2000s, you have a much more different environment. Nigeria has transitioned to democracy in 1999 under President Obasanjo, one of our (inaudible), the Finance Minister. And they really tried to focus on again going back to privatization and fiscal tightening.

But fiscal tightening with an eye towards also increasing social spending on health and education, right? So Nigeria creates this excess crude oil account policy to build fiscal discipline. And it says essentially that when you have high oil prices you're going to -- or higher than expected average oil prices you set aside the excess fiscal amount in a separate account called the excess oil account and then you use that for social spending.

And so, we see significant reversals in Nigeria in the GDP growth rates. And Nigeria I think was averaging something like eight percent GDP growth rate in between 2000 and 2006. And just to show again how the kind of reversals happened here.

All right. So Uganda, I will just mention two things for Uganda and the Ethiopia. Uganda is one of those countries that's called a success story, right, in terms of it did all three reforms. And yet, if you didn't see as much increase in both GDP growth rates and also the translation of the GDP growth rates into human capital investment. So investment in education, investment in attainment and health.

And so, there are many reasons for, you know, discussing the reasons for why this is? Again, I will skip over this in the interest of time. But one of the things that comes out is that Uganda is one of these highly indebted poor countries and there is, you know, somewhat little or less of a political and social capital behind the reforms, right?

They're really doing these reforms mandated by the IMF, at (inaudible) and reduction of export export taxation in their social sector especially. And this seems to have an effect or kind of an effect in the way that the reforms are viewed internally by local politicians and also the kind of drive towards trying to implement these reforms in the most efficient way as well.

Ethiopia, a country that doesn't do any reforms. The government does have a little bit of investment in terms of subsidies in agriculture and trying to shift away from local agriculture towards services. And it is also a country that you see significant economic growth as in the 2000s period, right? GDP growth is eight or nine percent. So a country that doesn't do any reforms but still experiences increases in economic growth.

So just to conclude again. Can the Washington Consensus Reforms claim a share of credit for growth in Sub-Saharan Africa up to 2000? I potentially say yes. You know, this is a descriptive evidence. Again, not causal effects of the policies on economic performance but it has some caveats, right?

So thinking very carefully around how the policies were implemented. The role of social and political capital to implement these reforms was important in the success of reforms looking at core spending around social spending around education and health and a focus on that was very important. Also, in encouraging support for the reforms and also increasing the effectiveness of the reforms.

And also, again, the heterogenous experiences by many countries. The countries that didn't implement any of these reforms like Ethiopia that saw economic growth. And there are countries that did implement all of the reforms like Uganda but didn't see as much economic growth. So, you know, this is many caveats here but very suggestive of the positive potential, positive effect of the reforms in the post-2000 period on economic performance and socioeconomics. All right. We'll stop there.

MR. HENRY: Thank you, Belinda. The discussant is Bill Easterly. Bill, over to you.

MR. EASTERLY: Yeah. I just got a message from our director that I've been promoted to be a panelist.

MR. HENRY: You've been promoted, Bill.

MR. EASTERLY: Thank you for the promotion.

MR. HENRY: You're welcome.

MR. EASTERLY: It's an honor to be promoted to be a panelist. So this is a wonderful contribution from Belinda. Really, I have enjoyed the paper that she did with Brahima Coulibaly and with Ngozi. I've been a big fan of this paper already. And Belinda gave the main results here which are very convincing.

They seem to be a very important contribution to a growing literature which we might call, whoops, the Washington Consensus might have worked after all. After all the criticism including from me and lots of others that the Washington Consensus got over the years.

Now, it looks like with data from the new millennium that reforming countries did actually pretty well, and we might see some long-run positive results after all. And Belinda's paper with her distinguished coauthors who offer a very important contribution to that, very convincing on that score.

Also, Peter Henry has a very important paper contributing to that literature on the Baker hypothesis that I also found very convincing that's more general for all emerging market developing countries. And then I also found something similar in my own work also for this whole set of developing countries. And we can cite lots of others. We can maybe cite people who are not actually on the panel this moment. There's a lot of work out there that is pointing to this conclusion and it's great that Belinda and her coauthors have made such an important contribution to this.

So having said all those nice things just to make things interesting, I do have to register a little bit of disagreement with Belinda and her coauthors. And that's around the issue of how to interpret the 1980s and 1990s growth rates.

So, Belinda, I think you're saying that this is evidence that the early parts -- the early stage of response to reforms was not positive. It was actually negative. And I guess my disagreement on that is, is it really clear that reform ahead actually happened? That any reform actually happened? Especially in the 1980s not much was happening. And not much was happening even in the early 1990s. It was really only in the later 1990s that reform was really starting to show.

According to concrete objective measures of reforms like inflation rates and budget surpluses and black-market premiums and all those things. The real change in policies was really sometime around the early to mid-1990s for most countries. Among all developing countries and for Africa particularly.

And on your graph, you show inflation gave to the 1994 and declined after that. And Peter has similar results in his paper on trade policy and inflation that most -- it seems like the timing of the reform is really around the early '90s to mid-1990s. And so, the negative results on '80s and '90s may really just be the reform had not happened yet as opposed to reforms having a negative effect.

And interestingly where reform had been happening already, there actually was a pretty positive growth response. So one country that I -- when I first joined the World Bank in 1985, my first World Bank trip was to Ghana.

Ghana was in the midst of a major economic reform where Ghana had been severely penalizing the whole market economy such that, for example, coco exporters, coco farmers in Ghana were only getting six percent of the world's coco price. And Ghana had really effectively killed off the coco sector. And after lots of reforms on domestic prices and trade policy coco exporters started to get a lot more on the coco economy. Really recovered along with a lot of the rest of the Ghana economy.

Similarly, Uganda that you mentioned was also it seems like a case of early reform after Museveni came to power in the early 1980s or mid-1980s. I'm a little puzzled, Belinda, that you said the growth response in Uganda was not very good to reform. The figures you showed, I think were four percent per capita of Uganda in the 1990s and six percent. I think it was GDP growth not per capita and then in the new millennium. So according to my sort of scorekeeping. Uganda growth was actually pretty good and shows some pretty good response to reforms. So I would continue to count that as a success story.

So it seems like there really is some evidence that where reform was already happening in the ‘80s and ‘90s, there was some good growth response. But then when reform was not happening yet, yes, there were the negative results that you discussed for growth in Africa in those years.

And so, what was going on there, why was there so much talk about, you know, structural adjustment lending by the World Bank and the IMF about, you know, the imposition of the Washington Consensus. What was happening in that? There was so much talk about reform. And yet, reform is not actually happening.

And here is where you come in on what is my favorite part of your paper or my favorite point that you make in your paper, which is there really was a prevalent from the very beginning with the Washington Consensus with the word Washington. The problem with the Washington Consensus was that word Washington. Why? Why was Washington imposing on Africa or on Latin America what Washington thought it should do? Why was there not kind of self-determination, national sovereignty for democratic countries? Some kind of democratic process of consultation for countries to determine their own reforms and not have them imposed from abroad.

And I think you say convincingly and as I can see correctly that this imposition of reforms by Washington, by the World Bank and IMF generated a very negative reaction. And so, one possible conclusion which I don't think has been shown scientifically as yet, but it’s something for further study would be that maybe the attempt to impose reforms actually delayed the reforms. And they didn’t actually happen until later because there was so much of a backlash against the attempted imposition of Washington on other countries’ agendas.

And, you know, as far as the supposed conditionality. The conditionality of the World Bank and the IMF, it seems like it succeeded in generating resentment but denying actually often succeeding in changing a policy. There was often difficulty enforcing the conditionality because the World Bank did want to start continue lending to countries anyway regardless of the reforms or not as a lot of the researchers on the World Bank have pointed out.

And so, the World Bank with its usual genius achieved the worst of all possible worlds. It continued to lend the countries that were not under great conditions for the lending to be effective. It generated a lot of resentment by attempting to impose conditionality but failed to achieve any real policy reform. And so, it may have actually delayed the reform.

Now, the good news is thankfully the longer run effect of all of this as you have shown so convincingly turned out to be more positive. So what happened around the time of the second half of the '90s and the early new millennium that might have changed the dynamics of reform? And I think your case study in Nigeria is a good hint at what might have changed, which is namely some local actors came along, you know, finance ministers and presidents and prime ministers that really locally owned their own reforms and decided to do reforms on their own.

Of course, your coauthor Ngozi is, of course, the outstanding example of that. That it really was reform led by African economists and leaders that really finally turned things around and achieved good reforms and then did have a good growth response.

So the story so far has a pretty happy ending which you have very convincingly shown in your research. So I guess the lessons from all this is that don't impose reforms from Washington is a big lesson there and my takeaway here. But when you do reforms, and I think part of why reform in this context does tend to work is that reforms in this case meant moving away from very extreme anti-production policies. You know, extremely high inflation, extremely high black-market premiums were really killing off production and incentives for production.

And when you do reforms away from those extremes, I think there is a more reliable response that you do get positive responses as your findings are very consistent with that.

So congratulations again on a great paper and let me congratulate you on what you've achieved already in this paper.

MS. ARCHIBONG: Thank you very much.

MR. HENRY: Thank you very much for your comments. Belinda, would you like to -- I know Bill has to leave shortly. So, Belinda, why don't you go ahead and share any thoughts you have on Bill's comments please.

MS. ARCHIBONG: Okay. Thank you very, very much, Bill, again. I very much appreciate it. I think on the -- I'll just mention a couple of things on your comment about Uganda.

I can really agree. I think it is a story of positive growth. I guess, our point was that the positive growth doesn't seem to have translated into investments in public goods and human capital, right? And so, like this is what we, you know, I guess this is a perpetual story in many countries around the world where you see the growth rates, but it doesn't show up in like education attainment, health infrastructure or all these things.

And so, this is where the concern was with, you know, is this a happy ending? Yes, on the one hand with the growth rates. But on the other hand, with the public goods and the public services, it's a little bit of a concern.

And, yeah, I agree with everything you said. I have no other comments on that. I think, you know, reform led by African economists and having ownership of that not imposed by Washington was very important for, you know, local take up of these programs. I mean specifically I liked and I did mention was in the paper is just looking at the civil service, like the sheriff's civil service of civil servants in the overall population.

And around that '90s period, it like declined to one percent of the population. Whereas in other developing countries it's at three percent. And I think in the developed world, it's around six to seven percent. And so, you're basically decimating the point of the government that's supposed to be implementing these reforms. And so, the question is how are you supposed to implement the reforms when, you know, the local officials who are supposed to be doing that were all gone and democratized because the cut in public spending meant cutting civil servant employment.

Thank you. I very much appreciate the comments, Bill.

MR. HENRY: So while we still have both Belinda and Bill on, I thought I would raise a question that one of the audience participants had submitted in advance and give both Belinda and Bill a chance to share any thoughts, and both have alluded to it already.

But the question is from Reinaldo Fioravanti at the Interaction-American Development Bank. And Renaldo's question is what role did political economy play in the implementation of policies in Sub-Saharan Africa especially unsuccessfully?

MS. ARCHIBONG: Should I let Bill answer that?

MR. EASTERLY: You go, Belinda.

MS. ARCHIBONG: I mean the short answer is a very large, very large one, right? So this is I think going back to the point that we try and make in the paper and Bill mentioned in the discussing comments.

Around thinking about the politics of policy reform, which as economists, I think -- okay, let me speak for myself in my graduate training. We're not prime to think about as much as we should be thinking about. And thinking about again this idea of when you have functionality and when you don't have -- you know, I think when local politicians feel like they're getting these impositions from Washington for these policies. Don’t feel like you have local ownership. You have this democratization as I mentioned before by decimating the civil service that’s supposed to be implementing those reforms.

So all of this, you know, I think you can link this. And I’m sure, you know, we have another paper thinking about protest. But you can link this to food price riots, for example, of the ‘80s and the ‘90s. And there is like an expression of discontent around the politics of how these things were being imposed on African nations in that kind of ‘80s and ‘90s period. I think it was mostly the ’90 period also as Bill mentioned.

And of course, one thing that is big, I think that we try and highlight or show in the paper is this democratization movement that happens. And Nigeria gets democracy in 1999. And this way of democratization movement that happens and, you know, Nigeria gets democracy in 1999. And this wave of democratization is happening in Africa in the ‘90s and 2000’s period and I think it’s very important, right?

So for getting closer to this local ownership of the policies and representation of citizens in the policymaking as well.

MR. HENRY: Bill?

MR. EASTERLY: Yeah. I just want to reiterate what you said, Belinda. I think the trend to democratization is really an important political economy force that I think, you know, when the sort of extreme antimarket policies were killing off economic growth under authoritarian regimes, it did benefit some insiders to the regimes that were collecting, you know, the rents from extreme taxation on exports.

So, for example, Ghana took taxing the coco exports was good for some insiders in the regime to get the sort of corrupt profits. But when the country becomes more democratic than insiders tend to lose out and the population tends to vote for what's in their own interest, which is, of course, the economic growth revived. So I think that's a really important point.

MR. HENRY: Bill, we thank you. I know you've got a leave shore. Thank you for taking some time to be with us today for this paper.

MR. EASTERLY: It's a pleasure to be with you guys.

MR. HENRY: I wish you could stay for the discussion. But thank you, Bill, for coming.

MR. EASTERLY: Sure enough.

MS. ARCHIBONG: Thank you.

MR. HENRY: So, Belinda, I want to share another question that was posed ahead of time. And this question comes from Dino Merotto at the World Bank.

And the question is how did policy reforms effect returns to capital and capital deepening in Sub-Saharan Africa? Any thoughts on that, Belinda?

MS. ARCHIBONG: So that's a good question. I think the experience will be different by country. I will speak from the point of view of a country -- I'm Nigerian. I know Nigeria somewhat well.

So Nigeria, you know, we notoriously are an oil export country. You know, something like 80 to 90 percent of export revenue comes from oil. And there's been a big push and an ongoing movement to try and privatize the oil sector, for example, right? And this is something that has been an ongoing discussion. Like thinking about what do we do with the NNPC, which is a national petroleum company?

You know, how do we encourage investment, private investment, when you have this one big aspect of the economy is essentially, you know, state owned? So I think one of the things that Nigeria has done relatively well in thinking about how do you attract more capital and private capital despite having this backdrop of this big oil economy. Is trying to invest more in, you know, encouraging private investment in telecom, for example, telecommunication.

And trying to figure out, you know, what are the some productive industries and super productive sectors of the country that are -- you know, where you can attract more private capital? Where you can see more maybe, you know, we talk about structural transformation a lot. More push towards investing or having government encouragement of structural transformation within the country. Moving away from not just being just commodity dependent but also having, you know, a growing financial services sector and a growing telecom sector, which areas have attracted significant private investment over time because of government regulation partly losing barriers to entry into the sectors and making it more attractive for private investors.

So essentially, mixed evidence I think throughout Sub-Saharan Africa, but there is evidence. And I think a big part of these reforms in the post-2000 period is thinking about privatization and attracting private capital in many countries by just changing the regulation to make the investing environment more attractive to not just international investors but, you know, domestic investors and investors throughout the region as well.

MR. HENRY: I think it's a very important point you make, Belinda. We're going to hear more about central transformation from Mike Spence I think in the next session. But when you think about for instance the Lewis model.

One of the things that's often, I think underappreciated about the dynamics of structural transformation even as we know kind of the model of kind of intensive labor absorption into the manufacturing sectors is challenged by this next stage of the industrial revolution. But if the returns to capital are not there for reasons that you and Bill were alluding to with translation, excessive taxation, excessive intervention then there's no incentive for industrialists or capitalists to actually hired excessive labor out of the excess labor pool.

And so, I think it's a very important incentive that wasn't I think fully appreciated that's really kind of implicit in the Lewis model. So good points. I think we have time for one more question that was posed in advanced, Belinda.

So the question was raised by Gouranga Das from Hanyang University. And the question is will AI and the fourth industrial revolution be as welcoming as the first and second industrial revolutions for Sub-Saharan Africa? In other words, are all these new technologies really going to be good for productivity and creativity in Sub-Saharan Africa?

MS. ARCHIBONG: Yeah. It's a great question. I'll give a classic answer in economics, it depends. But I think this is where it depends is very important because, again, it's one of those talk about structure and transformation. I'm looking forward to Michael's presentation.

We talk about, you know, has the industrial revolution in terms of the switch from agriculture, right. This is like the Lewis model. Where you go from agriculture to manufacturing with spur of economic growth. Has it happened in Africa? And many people, researchers will say no. That actually we seemed to have skipped over the manufacturing sector and gone straight to services, for example.

And one of the things that I researched is looking at un-labor markets and matching using ICT information and communication technology to solve unemployment issues which are quite large in Africa right now because of the young population. You know, 60 percent of the population under 25. And also, you have very high unemployment rates in many countries. For example, Nigeria last year, it was like the unemployment rate for under 25 was something like 51 percent.

So there is an increasing push towards the service industry and how to spur employment especially, right? A key part of economic growth thinking about human capital. How to spur employment using these new, you know, online services, online technologies, smart phones, et cetera.

So that said, I mean we do have a situation where, you know, this great. This is fantastic. I think it's very -- we have a very optimistic view of the future based on the fact that again in Sub-Saharan Africa, I think something like 60 to 80 percent of people own a smart phone. They can access the internet. And this is fantastic, but it will again depend on can governments have an invested infrastructure to make this access equitable?

Can we integrate other sectors, right? I talked about the online labor markets. Right now, it's very, very high skilled labor that seems to be accessing these online labor markets. So can we integrate these infrastructures, these online infrastructures into the labor market in such a way that it expands access to the vast majority of the populations in many of the countries which are poor?

So all of this will depend again on sensible policy. I think re-government and also the partnerships, you know, efficient partnerships between the government sector and the private sector as well. So again, very optimistic and I think I'm very optimistic for future. I think given that we are in this situation where we have skipped over manufacturing. We're in the services sector and there's a lot of debate about how productive for labor is the services sector compared to manufacturing? Potentially not so much.

We really then have to think about giving that this is our circumstance. You know, what types of partnerships between government and the private sector can happen to expand equitable access to the majority of the population that is, you know, has access to these technologies and is online and using these technologies for everything from labor to consumer purchases, et cetera.

MR. HENRY: Belinda, thank you to you and your coauthors, Brahima and Ngozi for a very important paper. Thank you for a very insightful discussion and thank you for your, I'll call it fact-based optimism.

MS. ARCHIBONG: Thank you very much.

MR. HENRY: We will end this particular session. And, David, I want to turn the floor over to you. David Wessel.

MR. WESSEL: Great. Thank you very much. That was an interesting discussion. These days any discussion about the world economy that has even a glimmer of optimism is very encouraging, so I appreciate that. And again, I want to apologize to our audience for the technical difficulties, but we'll try and get back on schedule.

So in this session, we first have the great privilege of hearing from Mike Spence who, of course, is a Nobel Laureate and a Professor at Stanford University. And most relevant for this conversation today, Mike was asked by the World Bank to organize a blue-ribbon panel of 22 people, the Commission on Growth and Development to think through essentially some of the questions that we're discussing today.

And he in the thought of economic perspectives piece offer some thoughts on that. So Mike is going to make a presentation and then we're going to have responses from Indermit Gill who is the Chief Economist at the World Bank and Célestin Monga who has had various positions at Harvard. So with that I invite Mike Spence to the virtual podium to present and share his screen.

MR. SPENCE: I am now with you. Thank you, David. And good evening from Europe to all of you. We've heard so much really interesting, insightful commentary. It's a little hard to note, you know, how to go about making my remarks. The paper is available and as David said, they're a reflection of my own experiences interacting with Negosium (phonetic) among others. But many people who know a whole lot more by experience about economic growth and development.

But I'd like to share some thoughts. So let me share my screen. I'll try to be relatively brief about this in order to leave lots of time for Célestin and Indermit to comment. So I got to go to my backup here.

So I tried to ask myself a couple of questions, which is, is the subsequent -- it was really the question that the Growth Commission was trying to ask. You know, we had the benefit of, you know, more than 15 years of experience in a wide range of countries on all continents to look at. You know, were simply not available to John Williamson and the people who were tackling the issues there.

So I start my presentation with this slide. We do live in a very different world and Peter and Belinda, you know, talked a bit about some of those challenges and I'll come back to them briefly at the end.

But in this world, it seemed to me that this first cartoon which is at least we've reached the consensus, there's nothing we agree on, seems to be a pretty appropriate description of where we are.

So the first comment has to do with hindsight bias. So it's a well-known phenomenon and it's, as I say on this slide, it's the common tendency for people to perceive past events as having been way more predictable than they actually were at the time and the underlying idea here is that we're dealing with incredibly complex systems and their evolution. We can't rely on sort of equilibrium in economics. There's a huge amount of uncertainty at each point along the path.

And so, with the benefit of hindsight, it's really an enormously big qualification in reviewing historical experience. And it can be done with humility and a good deal of sympathy. But policy prescriptions at least to some extent, you know, I think everybody has said or context specific.

And as frequent bouts of macroeconomic stability were the order of the day in many parts of the world. It's completely natural to have a significant part of the focus of the reform agenda as outlined by John and others, you know, focus on that.

But it is not the whole development agenda. And John Williamson with whom I had a chance to interact and learn in, the course, of doing the Growth Commission where he certainly understood that. And in indeed when you look at the Washington Consensus list, which you've already seen so I'm not going to spend any time on this. You know, there's not a whole lot that, at least from my point of view, that is missing from this if you interpret it in the right way.

So what is the Washington Consensus? What was it supposed to be and what was it not? I interpret it as very sensible experience-based set of guidelines for things you need to think about in formulating context specific development strategies in developing countries. And you can reasonably think of them as necessary conditions. I think there's unanimity that's (inaudible) that, you know, achieving macroeconomic and monetary stability is a necessary condition. You know, its absence is literally fatal. And so, there's essentially no disagreement about that.

What it is not is a fully developed sort of set of prescriptions for gross strategy. And both Peter and Belinda mentioned, you know, there are models of growth against which one normally, you know, tests the likely effects of policy prescriptions.

And this is not again a criticism in any way of the Washington Consensus, but it doesn't talk about growth models. And what I've discovered over time is that people have a lot of different models in their head when they're getting to discuss about policy. And it's coming to be in mind what I call the implicit growth model problem, which is, you know, an inattention to the underlying assumptions about the way the economy works. How its dynamics really work, which I think could be usefully used to sort of resolve disagreement including empirically based disagreements, you know, on the relevance and importance of policy prescriptions.

And finally, you know, the Washington Consensus was not context specific. Any set of guidelines are supposed to be useful across a broad range of territory, countries, even regions. You know, is always going to have the problem that, you know, it looks like a one size fits all. And again, that was not John's intention.

So I think interpreting it as guidelines and not either a development model or development strategy based on, you know, a set of policy prescriptions and an underlining model is probably the right way to think about it.

I'll be very brief on this but in the course of my work, I discovered there was relatively -- I'm going to make this too stark, but the question was what are you trying to do? What's the objective function? And I found sometimes the objective function -- well, the words sounded like growth and development. Most of the attention was focused on the policies. And the risk of, you know, a set of objectives that really focused on policies, you see you get trapped by various orthodoxies. And in an uncertain world, you may, you know, sort of failed to understand how large the territory that you don't really understand is and deal effectively with the problem of navigating within incomplete maps and dealing with uncertainty. You probably do less experimentation.

The alternative is to set goals and then admit that you don't really know how to get them. And you may not make it all the way to them, but then you sort of muck around and experiment. So I think there's a bit of a challenge in being careful about not letting the policies become the objective.

This maybe controversial in the context even of today's discussion, but this is another problem that I think, you know, I sort of encountered. And that's what I call the al a carte menu problem. Roughly speaking, picking the items on the menu that one likes and leaving out the ones -- the rest of them either because they're difficult or unnecessary or even in the worse-case ideologically unpalatable. I guess that's fine for, you know, going to a restaurant, but it's not so great for coherent development strategies.

And a variant of that, you know, sort of point is, you know, you don't want to assume that -- if there's a list of 10 things and you do four of them, you get 40 percent of the hoped-for results. I just don't think that's the way economics and reform policies really work. And, you know, you can debate. I mean what fraction you get from solving some of these problems, but I think that the empirical evidence that you get fairly high variance from samples taken where a subset of the reform agenda is performed but not necessary a relatively complete one.

And that brings me to the point that's been discussed several times and I agree with it, which is structural changes are absolutely essential part of the growth and development story. There's just no examples that I'm aware of in which you have sustained high growth and there are lots of them in the developing world. I mean, it's been extraordinary unbalance success story. And all of them involve, you know, very large amounts of structural change.

Again, you have the Lewis model. I think Peter is right, you know, that is an important set of insights about how this works, but it may be incomplete in the dimensions of sort of figuring out. Well, what else do you need to stimulate this investment in the export sectors? And, you know, what are the challenges of actually accessing the global economy?

And you have an institute for new structure economies started by Justin Lin to kind of, you know, shift a little bit the focus to this aspect of growth and development. There isn't much. Partly because it isn't, you know, focused on models in the Washington Consensus about this. And again, I don't mean this as a criticism, but probably, you know, one of the messages I want to deliver tonight is that, you know, I think the models are really important in debating whether they're accurate or in what context they're accurate? At what stages of growth they're accurate or misleading is an important step as part of the process of solving these very difficult problems.

It's possible. It occurred to me, and I say this in the paper that one of the models allocated all of the structural change to the private sector. And there maybe still, you know, significant differences of opinion on this, but for what it's worth my opinion is that's a mistake. That is that structural change is a combination of public sector policies and investments in collaboration with private sector incentives and dynamism that really accomplishes the structural change that is ideal. And you can't really effectively write either side of the equation out of the script too much.

Having said that, you know, I don't think there's one right development model. I mean the sort of crude version of this is there may be lots of right answers but there's bad answers as well. And what you want to do is land in the right answer range somehow.

Subsequent development experience. I spent a little time in the paper on Asia in part because the other papers were focused in either on other parts of the world, the global economy in the developing world. There's nothing in the Asian experience that fundamentally calls into question anything in the Washington Consensus list. So I think that's the most important single thing to say.

At the margin, there's some deviations. I think the Asian economies and growth stories more than insignificant, you know, deviation from policies with respect to industrial policy and capital account management. Maybe that's context specific. Again, the risk of capture or, you know, levels of competence in government or the assets available to the state may have been different. But there are, you know, at the margins some noticeable deviations.

But the one thing I did learn especially from interacting with colleagues and experienced people in the Asian economies is that they were appreciative of economic theory, but at the same time skeptical. And the reason they were skeptical is that both the market and regulatory institutions in a developing economy are in the process of development.

And so, a model which is used to predict the impact of policies that is based on an underlying presumption that the market and other institutions are fully developed needs to be dealt with a little bit skeptically. And so, what you get instead is a slightly more tentative approach but a kind of experimental approach to policy setting. Try this. We're not sure it's going to work. If it doesn't, stop doing it quickly. That sort of thing. That mindset I think has been an important element of the story.

Just a couple of other comments. One size fits all, the Washington Consensus, you know, has been accused of that. I think this is just completely unfair. Any attempt to distill lessons from a range of development experiences in different countries is going to be subject to the same type of criticism.

The truth is that, you know, as virtually everybody here has said. You know, these guidelines that John and others have used to try to help in the formulation of development strategies. But the strategies themselves almost always -- and not almost -- always are context specific. You know, they have to be respectful of the historical context, the political and social institutions, the pace and sequencing of policies is incredibly important in order to sustain the support for the policies. There's been numerous references to the political economy.

I mean I came to view this, you know, political economy for sure. But after I sort of listened to my colleagues in the Growth Commission, I came to think of it as sort of art or science. But nevertheless, it seemed incredibly important. And, you know, the fact that development strategies are context specific doesn't mean that there isn't really useful information from cross country dynamic comparisons and experience.

And one of the more encouraging developments in the past three decades seems to me since the Washington Consensus was tendance that the kind of silos, you know, that I think were there. This continent is really different from that one. You know, there's not much to learn from this one over that one. That seems to be fading away to good effect.

If you were writing the Washington Consensus today, I think much of it would be the same. But there would be, I think some important additions and probably some rebalancing of the emphasis. So I think there would be more attention to connectivity to the global economy's demand and technology. We know the channels by which these connections are made, and the technology moves around.

Again, not a criticism. Not totally missing from the Washington Consensus but it's so important because you can't grow as Penny said on (inaudible). This is kind of, you know, on a very short list, first order importance.

Investment levels require the sustained growth. You know, we've made some progress in understanding how high those have to be even though they're high bars to clear. You know, 25 plus percent of GDP. Maybe five to seven percent of that 25 percent going into the public sector investment and tangible and intangible assets of a variety of kind. So obviously changes with the development process. The middle-income transition doesn't look like the first few decades of growth.

And I think, you know, over time as many of the speakers have said. You know, much more attention to the distributional aspects of the reform agendas is one of the main lessons of the experience since the Washington Consensus. Structural change we've already talked about.

I think urbanization, which is a parallel process, a kind of parallel enabling process has probably surfaced as a very important point of attention in the development of these strategies. If it goes badly, you know, or you get the wrong kind of urbanization, push versus pull because of the absence of opportunities in the traditional sectors. You can get bad rather than good results.

And let me just close by saying, you know, it really is a different world. And, you know, it's been talked about for the digital transformations are, you know, a huge set of opportunities. There is a global explosion of entrepreneurial activity on every continent. Not quite at the same pace, but it's there. You know, it employs people. It generates, you know, different growth patterns than we're used to.

And I think Belinda covered, you know, a fair amount of that so I won't go on. But it is also a challenge to the traditional sources of comparative advantage for non-resource rich countries. And that is -- I mean the stark version of it. This is just Mike Spence speaking. I think it's a very good chance in 10 to 15 years given the pace of development in a whole range of digital areas that most manufacturing and much of logistics will simply not be labor intensive. And by that, I mean the labor costs will be sufficiently insignificant that they will not be decisive with respect to where these economic activities will cave.

And similarly, we live in a world in which we, you know, have major energy transition. There is a life sciences revolution underway that may create imperfectly perceived opportunities right now. And we certainly live in a world that is prone to shocks we didn't expect before. I mean I knew nothing in the rest of my lifetime, we will see a global economy put together mainly driven by efficiency and comparative advantage. It's going to be driven by policies that push us to diversification, to resilience, to buffering from shocks.

And these shocks come from all kinds of sources. Geopolitical tensions, climate has become a macroeconomic head wind to put it mildly in a way that wasn't talked about even maybe five years ago. And so, I think this is a very different world. And so, there is some really important creative work to do in rebalancing, you know, and rethinking development strategies that are fit for purpose in the modern world. So, David, let me stop there and do what I like to do best, which is listen to the people that are going to comment.

MR. WESSEL: Right. Thank you very much. That was provocative particularly your last two slides which I think are the subject of the next conference. So let me recognizing Indermit Gill for five minutes and then we'll turn it over to Célestin and then we'll have time for a little bit of conversation before we come to a close at 3:00. So can we promote Indermit?

MR. GILL: Thank you, David. I've just been promoted so I'm trying to reconnect here.

MR. WESSEL: We hear you.

MR. GILL: Let me start my video. It's lovely to see Mike. So I'm going to try to show you some slides just because it's the end of the day and that's the only way I can keep your attention, I think. So let me see how best I can do that share screen. So it's really easy to be a discussant for Mike because I agree with him.

There was only one slide that I disagreed with, and I don't remember which one that was. So that's an easy thing to ask. So it's really easy to agree with Mike.

But what I thought I would show you are some slides over here. I don't know if you can see this. Can you?

MR. WESSEL: Yes. We see your current slide and the next slide as well.

MR. GILL: Okay. Let me see if I can, you know, I think --

MR. WESSEL: It's okay. Just go ahead.

MR. GILL: It's okay, right?

MR. WESSEL: Yeah.

MR. GILL: Okay. So I really wouldn't have known what the Washington Consensus was actually except for the coincidence that I drove across Georgetown in 2015. And of course, was called the big debates in international development, right? And I've talked at five more times since. So I'm teaching it right now at the Kautilya School of Public Policy that is in Hyderabad, India now.

So this is the course that I teach. And you see over here I have these eight debates. One is on inequality, on climate change, and so on. And some of these things I've changed a lot over the last four or five years. But the one thing that I have not changed is the debate that I located in Latin America, which is the Washington Consensus, right?

So as I prepared for this course, I actually started to understand what John was trying to do when he came up with these things, right? These are the same things that Mike just showed you about, you know, fiscal balance, government spending, tax effort and so on. And they are very, very sensible things. And actually, if you read the way that John writes they're even more sensible than they look on this slide. They are very, very sensible.

And essentially, he put together this list because he said this was what he thought people in Washington especially the U.S. Treasury, the IMF, the World Bank and the think tanks seem to agree about what debt ridden and development deprived economies in Latin America needed to prosper again, right?

So he did not obviously, you know, exactly as Mike said. He didn't intend it as a full list of everything that these countries needed to do. He didn't even -- he only intended these as things about which there was a reasonable amount of agreement among people in Washington, right? And sensible people of course did disagree on a whole host of other things, right?

So when I teach this course. I'm sorry about this. I teach this course. I actually start with this slide over here. And, you know, I guess it answers or tries to resummarize what is the question that a whole lot of the panelists during the day actually spoke about. Like, you know, did the people -- did the countries that do these 10 things, did they do better, right?

And in general, you actually find that -- I guess if you also had a fourth country over here that would say -- say, you had a country like Argentina. You would find that it probably didn't do many of these things. And then you go to Brazil. It did more. Mexico, it did a bit more. And Chile, it did a lot more, right? But there's always a big debate about this then. You know, especially with students from Latin America and from Africa, they say, no, no, no. The Washington Consensus didn't work. It was a failure. It was a failure and so forth, right?

So then we move on to two or three weeks into the course. We actually move to this debate called the middle-income trap, right? Where China become a high-income economy. And when I do that, I actually talk a lot about Korea, right? I say, this is what happened to Taiwan. This is what happened to South Korea and so on. And essentially, these two countries made a miracle in about 14 to 50 years, right?

And then we start to get into what South Korea actually did, right? And essentially, you start to look at that. At the end of that I say that, you know, what it did do fairly early on was to secure property rights in both rural and urban areas, established early land reforms. It kept the budget deficits small. It did not have too much recourse to the inflation tax. It didn't have very large debts and so on, right?

And then I go down further, and I say, you know, especially after 1997, '98, it did these other things too, right? And then at the end of -- so by this time, the students have actually forgotten what the 10 things of the Washington Consensus looked like. So then I go back to this slide over here and I just include South Korea as well in there. And you see over here that South Korea has a lot of yeses, right?

So it turns out that, you know, if you do want to make this miracle, you have to do other things too, of course. But the things that John Williamson said that a lot of Washington agreed on actually, you know, those are the things that successful countries in variably did.

And I think that's where the papers that we discussed or that were presented and discussed today. And basically, that's where they come out, right? But you'll still be surprised, David.

How many people still think that the Washington Consensus is terrible. I've been in two board meetings and the Washington Consensus is used as an expletory, right?

Now, so what went wrong? So I think that the way that I read it especially after reading all of the things that John wrote and so on is that I thought that he started out with what he called -- what was essentially a desirable set of economic policy reforms. And as Mike said, this was not supposed to be a growth and development strategy. It was not perhaps even the most important reforms. It was just the 10 policy instruments about whose proper deployment Washington can muster a reasonable degree of consensus, okay? That's all it was, right?

But then actually John made a mistake, Mike. You know, he got into this debate about what was actually sufficient and so on. And he departed from that, and he tried to come up with this list saying, oh, if you add this too and so on. And he moved away from what people agreed on into things that people, you know, lots of people disagreed on, right?

And when you did the Growth Commission report, you tried to sort of look at the things about which people agreed on, but, you know, you had to skin some cats. But there were many ways to skin those cats. You know, et cetera. But I think that had he not done that, we would be having a very debate right now because we would have still been trying to sort of, you know, still try to sort of see is that, you know, that it's not whether the Washington Consensus policy reforms was sensible back in the 1990s and the 2000s. I think they were clearly were.

And I think they actually still are. And here's where I think that we will actually, you know, that it's not clear that if somebody tries to write a paper like John's not about whether his 10 things are still relevant. But what are the 10 things about which people in Washington, sensible people can muster a reasonable degree of consensus on, okay?

And, you know, I have a feeling that they would not come up with those 10 things, Mike. You know, because for example, I still remember the advice that the Fund gave not so long ago. Spend what you can, but keep the receipts, right? I'm not sure if this is agreement that people in Washington can agree on, okay?

So then I think it would really be good to actually see what would be that set of policy reforms about whose proper deployment Washington can muster a reasonable degree of consensus today, right? That would be a really nice exercise and I think that somebody at Brookings or Peterson can actually compile this list. I think I could too, but I'd get fired, and I just started my job.

MR. WESSEL: But it's a short-term job so if you build this now, you can publish.

MR. GILL: Back to you.

MR. WESSEL: Thank you very much. Célestin?

MR. MONGA: All right. Good afternoon. It's wonderful to see everyone. I see Mike Spence. It's been a long time since our work in the ledger. And nice to see Indermit, my former boss. He is one of the most brilliant economists, but I'm going to take the risk to disagree with some of the things that he said, but he is used to me so he's going to be indulgent.

Well, very quickly since we don't have a lot of time left. I mean Mike Spence; I've known him for a long time. I thought he was high level, very sophisticated economist only. I've noticed in reading his paper that he is also a diplomat because in this paper, he praises the Washington Consensus, but he also has very harsh criticism, which I think are valid. But the way he writes them. I mean you would take the criticism as a compliment. So you should perhaps consider working at the U.N., Michael, when you're done.

Well, quickly one of the points that both Michael and Indermit made is that when this was basically a set of guidelines. I think it was more than that because that's the way it was sold. I went back and read a lot of documents that was published by both the IMF and the World Bank in 1990s. And basically, during the 1990s, it was more than basic guidelines. It was also the growth recipe. And they were not shy as thinking it that way in official documents including a decision by the Board of Directors of the IMF saying, well, this is what we need to do to grow and even to reduce poverty.

So you may think that they only consider it a set of guidelines. It was more than that. Now, the cumulative factor, it led to growth after at least the first -- the decade following. I listen very careful, and I agree with almost everything he said except it didn't mention Africa. Where there's a region in the world where there's been the Washington Consensus implementation more than any other. Almost 50 countries in Africa have gone through this.

Well, it would be good to see what happened there. Not just even after following the dictator. Even definitely following the '90s. And I looked up the numbers. It's very easy if you Google war bank data on let's say GDP per capita, everything is there including Sub-Saharan Africa. And you would see that Sub-Saharan Africa, the GDP per capita in 1990, let's say the year of the Washington Consensus was only $1,300 and 10 years later it was lower. It was $1,200 constant GDP per capita.

So even that was that it didn't work. Now, three, four decades later, well, it's very difficult to argue that it has worked given these numbers. Now, I think one of the big problems with the consensus was this notion that they have conditions, preconditions that you need to satisfy before you can have a successful growth. That's kind of implicit in the consensus.

Well, if you look at the way economic growth has occurred through human history. No country has ever grown from a very good situation. It always happens in bad situations. So that's also why the traditional recipe of improving (inaudible) to me is really not very realistic. No country will have -- can improve its violence enough omit all the conditions listed in this big report before they can grow.

Certainly, China in 1979 or 1980. Or Costa Rico and all these countries that are doing, Venezuela, Vietnam. Kind of the things that have been happening to Vietnam the past two years is very messy places where we (inaudible). So what is the Washington Consensus was missing? First, it had been trying to offer guidelines which will be reasonable for advanced economies to low-income countries. It has neglected structural differences.

(Inaudible) and others have written directly to work to explain, for instance, why high interest rates or even fiscal discipline, the number one recommendation, may not be appropriate for low-income countries after a certain period of time in their history, okay? Bolivia, Burundi, Utang, they are landlock countries. They don't have to do what Switzerland is doing. They don't have to wire the financial system that Switzerland has just because they are all landlock countries. And the Washington Consensus doesn't list that.

And one thing that Michael stressed in his paper which I think is extremely important is the issue of knowledge. In fact, the Washington Consensus took us in the '50s when we were believing before (inaudible) that growth occurred when you have high savings, high investments or you have accumulated capital. Well, Solo (phonetic) explained and demonstrated that 70 percent of growth actually occurs elsewhere, in what he called technology and that (inaudible) later on up on the (inaudible).

But Washington Consensus complete forget that. Knowledge, technology transfer, all these things not to be found. And that's interesting because this institution call themselves knowledge institution but they didn't apparently put knowledge in the list. And of course, the weakening of the states.

And one kind of collateral damage which is really very important that the Washington Consensus and prescription did perhaps unwittingly is the fact that it has been taken very seriously by rating agencies. And I can tell you, I have a friend of mine who works with the Hutchinson Institution in Africa. They've been working on the cost, the financial cost on African countries of bad ratings from credit rating agencies, which are using the Washington Consensus prescription to give ratings to Africa that leads to over inflated risks which are very puzzling. These premium perceptions that they are charging all African countries is very, very costly.

So there are many things that we have been going through because of the Washington Consensus. To end, I know you have little time, David. But to end just 10 seconds.

Actually, what we need now is a consensus which I would call maybe the Manacor Consensus. Manacor is the capital city of Mali. Now, pick some African country, which is really truly representative of these African countries that have followed IMF, World Bank, Washington Consensus policies for not 10, not 20 but 30 years or more and see what we can learn from that. What we've been missing. The missing elements. And how things need to be changed. And what we can learn from Costa Rica, from Vietnam, from China which is not in the Washington Consensus and there are many things. So sorry, David.

MR. WESSEL: No. Thank you. So I think we've learned a couple -- I've learned a couple of things today. One is that the Washington Consensus was poorly named, which hurt its reputation. I was going to suggest that we might have a Jakarta consensus or a Nairobi consensus but Bamako is a good place as well.

Secondly, my sense is that there are quite a bit of disagreement as to what exactly the Washington Consensus was. Most of the people, so Célestin is an exception I think, think that it's in a set of necessary but sufficient conditions. And everybody agrees that it was incomplete.

It was incomplete in 1989 because it didn't deal enough with things like poverty and inequality and thoughtful discussions with the role of the state. And it is particularly ill suited for an era as Mike pointed out where we have to deal with climate change. The fact that digital transformation is changing the comparative advantage of countries. And of course, the whole what we learned from watching China and what role China will have.

Mike, I wonder if I could -- I want to be forward looking in the 10 minutes we have left. So if you were convening the Bamako Consensus and you wanted to adapt into the issues we face today, not only those in 1989 and ’90. What would you be advising that group to put on their list of things to -- high up on the list of things to do? You're on mute, Mike.

MR. SPENCE: Apologies. So we can all take a shot at that. On the substance, you know, I think you have to immerse yourself in the global transformations that are underway.

Now, I’m not going to go on at great length, but I mean all of them are complex. They're all double-edge swords, right? You know, they have enormous potential, but, you know, they -- pick anyone, you know. Digital technology has to be regulated because we didn’t realize when we started how many ways there are to misuse it. You know, how important the proper management and responsible management of data is.

Take gene editing. It’s probably the classic example. I mean that may not sound like a development in gender, but, you know, this is life sciences. Some of it is going to be in agriculture. It may very well be in a critical part in responding to climate change and food security and so on. So again, I mean it’s not the whole story, but I think that’s part of it.

The second thing I think that, you know, Solstein was getting at and a number of others is that we just have to collectively work harder at integrating not our economies but integrating our people. You know, we all have to be part of the networks that are part of the process of thinking our way through these things.

And I fear that, you know, I mean I don't know Mali very well. But there’s lots of places in the world that are not sufficiently network connected to the knowledge network to really -- I think it’s a very legitimate point Solstein made that that’s a legitimate area that would get elevated on the Bamako Consensus. So those are at least two thoughts.

MR. WESSEL: Let me ask you about one other. So I think at the time that the Washington Consensus was conceived, generally economists and policymakers sought that globalization was a net plus and that it would increase productivity and we could take advantage of comparative advantage.

And as you pointed out, there seems to be some questioning of that now for obvious reasons, the resilience. Do you think that's going to change the way we recommend that countries function? Are we in a world where autarchy is actually more of an attractive option than we thought 30 years ago?

MR. SPENCE: No. Autarchy is fatal. I mean, you know, it's not only fatal for developing countries. It's fatal for small countries. Can you imagine Sweden trying to produce everything that they need?

MR. WESSEL: So is there something in the deglobalization that is a minus that we need to worry about?

MR. SPENCE: Yeah. Because it's fragmenting and the the international institutions so far are on their back feet, you know, when we -- we all know this. And we need to reconstruct a more realistic version of globalization that's respectful of things like resilience responsive to dual use technologies and national security issues and so on. Very carve task, but the problem is, you know, we're not getting on with it right now.

But I think -- so we are going to see, you know, what you might call, David, partial deglobalization. But we can't go all the way down that road without, you know, literally catastrophic results.

MR. WESSEL: Thanks. Indermit, how would you -- you can respond to some of those things if you would like. But I want to know -- I have a questioner ask -- put this very well like so what is the -- to what extent is the Washington Consensus still part of the IMF, World Bank set of principles when it advises companies? And to what extent has it been discarded, or somewhere in between do you think?

MR. GILL: Yeah. I was thinking about this. I think that despite ourselves, we can't -- we have not been able to discard it. I mean we have been trying to discard it, I think. You know, because you hear really, you know, I guess it's used like a bad thing and so on. And so, you want to not like it. But, you know, we keep coming back to it.

And I think that if I'm sure that if you exactly took a poll like maybe five years back, you would probably find some people saying that the Washington Consensus was a failure and so on.

If you talk to people today after these fiscal deficits that have led to higher inflation rates and so on. I just ran some numbers and I found that for emerging market economies if you ran bigger fiscal deficits, you were more likely to get a much upper increase in inflation over the last year, year and a half or so.

So, you know, these are the kinds of things that I bet if you actually took that poll today, David, I think there would be more support for the Washington Consensus policies than -- or they would be more agreement about these policies in Washington now than they were five years back.

MR. WESSEL: That’s interesting. You might want -- I'm not sure we can do this -- I'm not sure that would apply to London at the moment, but maybe in Washington.

MR. GILL: On that one, I was trying to sort of see that you ask people in the World Bank. I don't know about the IMF and U.S. Treasury, but you ask people in the World Bank that, you know, what happens when you run big fiscal deficits and print too much money? What happens when you put quantitative restrictions on international trade? What happens when you use subsidies instead of cash transfers? What happens when a developing country runs up debt during times of low interest rates and then inflation rates go up in advanced economies? What happens when central banks start to worry more about climate risks and take their eyes off their knitting, which is inflation?

You know, I bet you’ll find that the answers are much more in conformity with the consensus.

MR. WESSEL: I think that part of the issue is, and Célestin kind of implied this, that there’s a caricature of the Washington Consensus. Danny Rodrick described it as, get your macro balances in order, take the state out of business and give markets free reign.

And that’s, of course, not exactly what John Williams said. But there are people who preach this and that’s given it a bad name. So, Célestin, I really appreciated your comments and I’m curious.

I want to ask you one thing that we didn’t talk about, which Mike Spence referred to is that one thing where I think there has been a substantial shift is in what we think about capital flows and opening capital accounts and the fund has changed its view a lot on the applicability of capital controls.

And we certainly learned a lot during the 2008 and ’09 financial crisis that was not at all envisioned when John Williamson convened that conference. And I'm curious if you have thoughts on where we are in the world of financial globalization and how we put that into the Bamako Consensus?

MR. MONGA: Yes. Thank you. On that particular question, I think that even the IMF has evolved on that. Thanks to Olivier Blanchard, who is just not a political economist, but he's like Michael Spence, he has very diplomatic skills. He was able to bring some of his colleagues at the Fund together to be a little more nuance of that.

You know, many developing countries in Latin America, in Africa, they suffer a lot from the reversal of financial flows like this when there are changes in interest rates in advanced economies especially portfolio flows because they come in quickly and they leave quickly. And that creates all kinds of changing problems and a competitive problems in these countries.

Foreign direct investment has always been my preference way of financing, of financing flows because they tend to be, first, more stable. They really express commitment, long term commitment except when they go to a specific key projects. So I think that things are evolving positively there. There's more intellectual consensus there than there have.

But on the question of what to do next just in 20 seconds. I agree with her, what Michael said. I admire Indermit's optimism. I think that we really need to do at least two things. First encourage developing countries, low-income ones to take targeting seriously. What I mean by targeting is selectivity. You cannot win by limited means try to do everything. You need to find a way to do rationale. The kind of things is where you want to put your limited fiscal money into. You cannot develop 20, 50 different industries which are viable.

Now, I'm not saying that the government needs to do this, no. But that conversation needs to be on the table. That's what successful economies have done not just in Asia but if you go back and look at the Island, you look at Italy and use some of the institutions. Italy have these industry district. Island was the first to complete to have a special economic zone. Even though today people cannot get up and say, it's a Chinese thing.

China just copied some good ideas that were from Mexico. So look at African countries today where there are so many problems that cannot be resolved at once for all kinds of reasons, capacity. You need to have in place of excellency.

And then the second and last one is we need to allow poor countries, so-called poor countries, because I don't think there is really any poor country out there. But so-called poor countries to continue to be increasing global demand because that's where in the end the action is. We need to improve upgraded global aggregate demand. And we are all in it today that China has become the powerhouse that it is because I think -- again, the Chinese are going to be almost a global public good. Because that's a big market out there for economies in the world to go sell. Some countries to access the Chinese market.

So how do we allow these low-income countries to have access? And I agree with some of the sequence in the paper that trade is really where the action is. There's just not enough domestic demand for Mali, Burkina Faso, Algeria, Ethiopia, Cameroon, and so on to grow sustainably and reduce poverty. And so, that is what I would say. Thank you.

MR. WESSEL: Okay. So I want to --

MR. SPENCE: David, can I make one comment?

MR. WESSEL: Please.

MR. SPENCE: The real fast edition to the list. I think the worlds, the shocks that the world is exposed to are particularly devasting for the lower-income countries. And right now, I don't think the risk diversification mechanisms, you know, private insurance, domestic, you know, social insurance and international, you know, things are, A, adequate and, B, working. I mean --

MR. WESSEL: You're talking about the shocks of like the inflation and the pandemic or --

MR. SPENCE: Yeah. Like inflation, climate, pandemic, war, geopolitical tensions. You know, I mean you can convince yourself, you know, that you're exaggerating slightly that this looks like a perfect storm against, you know, for some of these countries. So I know it's not a domestic development agenda, but I think on the international front it's critical.

MR. WESSEL: I was going to end by reading the closing words of your JEP paper, Mike.

In the dark days of addressing the immediate threat of the pandemic, and to that we can end the war -- add Ukraine and inflation and climate change -- it is well to remember both as much has been accomplished. And indeed, a lot of people have been lifted out of poverty. But also, that there is much, much more to do.

So with that I want to thank you for being so cooperative. It was a great conversation and an end to a great day. And I want to turn the virtual podium over to Peter Henry for some closing benediction.

MR. HANSON: Thank you very much, David. And I don't know that this will be a benediction, but I certainly will try to very briefly just end on a justifiably hopeful note because of all that has been considered and done in bringing today together.

So first of all, a big thank you to Harvard and to Brookings for convening a really important conversation. A lot of really thoughtful, intelligent and resourceful people have had a lot to say. So I won't try to summarize all those details.

But let me just end by offering the following thoughts. I think that it's fair to say that we now have a lot of evidence on what drives growth. And the list of whats can be very country specific, but as Mike Spence pointed out and I think the Growth Commission work states it very well. Stability, investment and savings and openness to trade and ideas are essential ingredients to a pragmatic growth strategy that has a chance of working.

And I think the big questions really is how do we move from the whats of growth to the how, right? And so, the how really consists of two parts as I see it. The first part of how is thinking about those list of -- the list of sort of common threads to growth. And for any given country thinking about, you know, what are the constraints? What are the priorities? What are the elements of the whats of growth that are most likely to generate the most bang for the buck for a country given this very specific context?

So that's one issue with how. The second issue with how as I see it is, okay, so suppose you formulate the principle or a gross strategy that's practical and that has the right prioritization in terms of driving growth. How do you execute it from a political economy standpoint? And this question has come up over and over again today.

And this is very important work. I'll just put a finger on it without going into detail. It's been done at the World Bank by Stu Tomati (phonetic) and some of her coauthors that ask the question, how do we think about government accountability and government capacity? Essentially execute the how? And just to tie that point into a point that was also made about resentment.

So rather than having policies imposed from the outside by international institutions, which as we've seen today led to a great deal of resentment and probably a bit of sort of cutting off the nose to spite the face in a sense of policies that were rejected when they really would have been helpful in the end just because of the source from which they came.

Rather than international institutions playing such a strong handed role as they have in the past to try to impose particular policies. The new line of thinking is that, you know, international institutions may have a bigger role to play in just sort of enhancing accountability of governments to their own citizens.

And I think that's going to be very critical in helping citizens within developing countries to understand what it is they can do to hold their governments accountable and whether the governments, in fact, are actually executing on the how's of growth given the list of things that we have a pretty good sense of at this point are fundamental in some permutation, some combinations to drive growth.

And let me just end by saying why? Why? Why does this matter? I was particularly pleased at the paper in Africa. Because Africa as we know is the epicenter of population growth for the next several decades. And just to tie population growth in Africa such that Africa's population is growing in an excess of two percent per year.

And to tie population growth into a theme that Mike Spence put a figure on just critical important is organization. We know that between 2000 and 2030 the number of people living over there is going to double from 2 to 4 billion, and most of that is in Africa.

And so, getting the what's and the how's of growth right in Sub-Saharan Africa, and particularly in cities in Sub-Saharan Africa is critical to future growth, the climate, all the issues that we care about both from the prosperity perspective, and the inclusive perspective and a sustainability perspective.

And for tangible example that would be to think about the discussion around platforms, right? So several points throughout the day, it was made very clear that the structural transformation is underway with global economy, with the move to a sort of more platform economies that might eclipse the possibility of having anything looking like manufacturing led, labor intensive growth in developing countries.

Very critical to that is going to be electricity. You can't have platform economies without reliable electricity. So again, think about Sub-Saharan Africa. What this tells us is that infrastructure is going to be central to driving growth in Sub-Saharan Africa. Efficient investment in infrastructure. Well, efficient investment in infrastructure is very consistent with the views that has been expressed throughout the day that efficient public investment has to play a central role in driving growth in the developing world.

And the question is how do you get efficient public investment? Well, that again gets to the how. So let me end there by saying, I think we had a very productive discussion today. The facts are there for all to digest and to consider.

And I do indeed think that the future is hopeful if we can get beyond this issue of kind of what do we call -- you know, how do we label the central kind of common threads of growth and really focus our attention on how countries can put together pragmatic growth strategies. And how we can better help citizens in developing countries hold their governments accountable for the kinds of investments and market support that are needed to happen in order to drive growth and it's fundamental because millions and billions of people are depending on the execution of reliable, productive, inclusive and stable growth strategies.

So let me end there. And thank you, everybody for participating. All participants, all discussants, all those who took time to send in questions. And again, to Brookings and Harvard.

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Expires: November 30, 2024