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THE WASHINGTON CONSENSUS AND THE BEIJING CONSENSUS. FIRST REMARKS

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Introduction

This article draws its inspiration from the Washington Consensus, which includes the basic principles recommended for the healthy functioning of the economy. In the course of writing the article, the author became also interested in the Beijing Consensus, which overall stands in contradiction to the neoliberal Washington Consensus and is based to a great extent on state interference in the economy, typical of the largest of Asian Tigers, namely China. This article takes into consideration the principles of the ‘healthy’ functioning of the economy as recommended by both the Washington Consensus and the Beijing Consensus. They were used to create a list of recommendations that should be implemented in the economy. Relevant statements have been included in the survey directed to all the researchers of the Poznań University of Economics and Business. Their responses were then used to determine the basic recommendations for economic policy. These were used to assess the degree of neoliberalism among Poznań researchers. Thanks to the possibility of conducting a comparative study of research results in time, the survey allows for a dynamic approach to the research in the economy and its principles.

The Neoliberal Doctrine of Economics

It is difficult to speak of one integrated neoliberal theory or doctrine of economics (Kaźmierczyk, 2011: 395-397). This popular trend consists of a number of schools and authors (Note 1). D. Harvey believes that ‘neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. [...] State interventions in markets (once created) must be kept to a bare minimum because, according to the theory, the state cannot possibly possess enough information to second-guess market signals (prices) and because powerful interest groups will inevitably distort and bias state interventions (particularly in democracies) for their own benefit’ (Harvey, 2007: 2).

A practical aftermath of neoliberalism was Thatcherism and Reaganomics (Note 2) during which time any evidence of statism (Note 3), was being eradicated, including ineffective state-owned coal mines, the significance of trades unions was limited, many spheres of economic life were deregulated and the welfare state was reduced. Some politicians and economists considered such measures necessary, a belief which found expression in the acronym TINA – ‘there is no alternative’ (Kołodko, 2008: 29). In D. W. Hursh and J. A. Henderson’s assessment, that was when the institutionalization of neoliberalism on a national level began (Hursh et al., 2011: 174). Undoubtedly, such harsh political measures made it possible to solve problems that other politicians could not overcome. The opponents of this economic policy point to the negative consequences of neoliberalism such as mass redundancies or mistreating people as economic tools. They also pose a question whether the market is at the service of people or perhaps the other way round – people are at the service of the market.

The Washington Consensus

The Washington Consensus originated at the end of 1980s as a response of an American researcher J. Williamson to the problems of Latin American countries. He analyzed the reform programmes recommended by the World Bank, the International Monetary Fund and the US Treasury Department to the countries in crisis. On that basis, he formulated ten principles to be implemented for the economy to achieve good results (Piątek et al., 2008: 112-113). The Consensus includes (Williamson, 2004: 3-4):

- fiscal discipline aimed at balancing the public finance budget,
- redirection of public spending with its major part directed towards health care, education and infrastructure,
- tax reform aimed at broadening the tax base,
- liberalization of interest rates to be determined mainly by the supply and demand for money,
- competitive exchange rates favouring the economic growth,
- trade liberalization,
- liberalization of inward foreign direct investment,
- privatization favouring competitiveness of the market,
- deregulation including the reduction of market entry and exit barriers.

The Beijing Consensus

To put it simply, the statist (Note 4) Beijing Consensus stands in opposition to the neoliberal Washington Consensus. In order to have a more complete picture of the differences, more specific questions must be posed, all the more so since the Beijing Consensus provides no clear list of principles.

Any economic turmoil at a crucial time is conducive to the formulation of significant concepts such as Keynesianism as a remedy for the Great Depression or monetarism as a response to the oil crises in the 1970s. The same was true about the Washington Consensus, which exerted influence on the emergence of a new,

post-socialist socio-economic order. The Beijing Consensus or at least some of its elements, in turn, could be a response to the global economic crisis (Note 5). The Beijing Consensus is a concept much younger than the Washington Consensus. The term itself was coined by A. Leonard at the beginning of the 1990s, but the whole concept was formulated by J. C. Ramo in 2004 (Gracia, 2010: 48). The principles of the Beijing Consensus include (Ramo, 2004: 11-12):

- innovation-based development,
- economic success measured by its sustainability and equitability,
- self-determination for China and for other countries.

The Chinese economic policy is also characterized by other practical principles and features. These include (Gracia, 2010: 49; Kanbur, 2009: 44):

financial support for the public sector,

- restrictions on private sector development,
- favouring state-owned enterprises,
- an undervalued exchange rate to support exports,
- preserving the labour-intensive industries,
- avoidance of dogmatism in economic decision-making,
- ignoring the differences between regions,
- development of special economic zones.

The most popular principles

The analysis of the collected responses allowed for the formulation of the principles which the vast majority of Poznan University of Economics and Business academics agree with. The recommended principles include (according to the degree of support) (Note 6):

1. People should have the freedom to invest their funds (232 people agreed (Note 7) – 97%, ‘I strongly agree’ – 54% of all responses).

2. Private property should be protected (229 people agreed – 95%, ‘I strongly agree’ – 52% of all responses).

3. The central bank should be independent of the government in the implementation of the monetary policy (220 people agreed – 92%, ‘I strongly agree’ – 52% of all responses).

4. The public debt should not be higher than 60% of GDP (214 people agreed – 89%, ‘I strongly agree’ – 50% of all responses).

5. The public finance deficit should not exceed 3% of GDP (205 people agreed – 85%, ‘I strongly agree’ – 43% of all responses).

6. Corruption cannot be beneficial for the economy (Note 8).

7. Taxes (175 responses – 73%) and social transfers (136 responses – 57%) should be moderately low.

8. The priority objective of the economic policy should be to ensure the economic development (146 responses – 61%).

9. The value added tax should be the most important source of budgetary revenue (141 responses – 59%).

10. The priority objective of the economic policy should be to ensure employment growth (136 responses – 57%).

11. State expenditure on research and development (134 responses – 56%) and education (130 responses – 54%) should be given priority.

The above principles received the highest average ratings and a vast majority of respondents agrees with them. Most of them are associated with the neoliberal principles. These are either the issues that were hard-won by the Polish in the process of the regime change or issues conforming to the rules of business practice or to the commonly respected principles. The three principles 3-5 find confirmation in legal regulations (Note 9) significant for economists and can be said to have been institutionalized; to the extent that they are frequently quoted in academic textbooks as the boundaries of economic rationality.

Conclusions

The basic assumptions of the neoliberal doctrine have been examined in this article. Neoliberalism does not have a uniform set of principles or economic recommendations, and its various representatives held slightly differing views on the question of liberties and the limiting of those by the state. However, they generally support the idea of reducing state interference. One example of the neoliberal approach to economy is the concept of the Washington Consensus. Despite the objections from the author of the Washington Consensus, J. Williamson himself, they have become the quintessence of neoliberalism.

The principles of the statist Beijing Consensus have also been examined. Both the Beijing and the Washington Consensus principles have formed the basis for the survey directed to academics. As the study results demonstrate, the academics subscribe to the neoliberal economic principles, which finds expression in the eleven principles resulting from the respondents' democratic (Note 10) choice.

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Notes

Note 1. This article is not concerned with the history of neoliberalism and a proper discussion of its premises would require a more extensive analysis. For the purposes of this article only the most characteristic aspects of neoliberalism were considered.

Note 2. Contrary to expectations, under R. Reagan government an increase in the public sector deficit was observed (T. Kowalik, 2005, p. 114).

Note 3. Statism is broadly understood as 'the expansion of the state' (W. Morawski, 2001, p. 127).

Note 4. Just as the neoliberalism of the Washington Consensus is conventional (even the author of the concept had doubts about it), so is the statism of the Beijing Consensus. If it is assumed that the Beijing Consensus is best expressed in the three basic principles mentioned here, the idea is far from statism. If however assumed that the Beijing Consensus constitutes a broader list of practical principles and characteristics governing the Chinese economy, it must be assessed as statist.

Note 5. One may conclude so by observing the increasing popularity of government interference in the economy, which is economists' response to the global economic crisis of the last few years.

Note 6. Regarding the principles 1-6, the respondents addressed the statements by assessing them on a scale from -3 (I strongly disagree) to +3 (I strongly agree). For points 7–10, the respondents selected their responses from among a number of options.

Note 7. This refers to people who responded ‘I strongly agree’, ‘I agree’ and ‘I rather agree’.

Note 8. The sixth principle requires further comment. The respondents were to address the statement ‘Corruption may be beneficial to economy’. A vast majority of them (209 people – 87%) disagreed with the statement and 60% of the surveyed disagreed strongly.

Note 9. i.a. the Public Finance Act and the Maastricht Treaty.

Note 10. In this survey each respondent’s opinion carried the same weight as opposed to the Washington Consensus and the Beijing Consensus, where a narrow group of people decided on the form of the ‘consensus’.