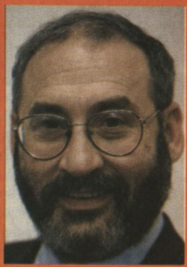

Washington Consensus begins to disintegrate

FRED HARRISON reports from Moscow

THE WORLD BANK'S top economist has quit - and his parting shot was to denounce the bank's policies as having failed.

Joseph Stiglitz (*pictured above*), former Chairman of President Clinton's Council of Economic Advisors, became the bad boy in the corridors of power in Washington with his stinging attacks on what is known as "the Washington consensus".

This doctrine prescribed rapid trade and capital liberalisation and the privatisation of state-owned enterprises - policies that were particularly associated with the International Monetary Fund, the World Bank's sister organisation.

During the Bank's annual meeting last September, James Wolfensohn, the President, rebuked Dr. Stiglitz for criticising the reform process in Russia. An unrepentant Stiglitz renewed his criticism with an article in the *Economic Journal* in November - which was published the week that he quit as Senior Vice-President of the World Bank.

Dr. Stiglitz is the author of what he calls "The Henry George Theorem", which demonstrates that land-rent is sufficient to pay for public goods in the urban sector.

In January 1999 Dr. Stiglitz diplomatically declined to testify before Parliamentary Hearings on Land Policy in the state Duma in Moscow because of the controversy which he had provoked (see L&L, Summer 1999, p.12).

We can now expect Dr. Stiglitz to deepen his critique of conventional economic theory. In his *Economic Journal* expose he points out, for example:

"While the development strategies of the last 20 years have focused on market-based reforms, they have often failed to establish the institutional infrastructure required to make markets work. Economic theory emphasised that to make markets work, both the competition and the incentives provided by private property are necessary. The emphasis on one over the other was not based on any body of theory or evidence. The contrast between the experiences of China and Russia has raised questions about the reform strategy emphasising privatisation over competition: China focused on competition, and saw its per capita GDP increase almost 8-fold in two decades; Russia ignored competition policy, and, even after privatisations and other reforms that were supposed to improve efficiency, saw its output decline markedly".

THE NEW Duma which convened in January, following the December 19 Parliamentary elections, received a report containing evidence submitted to a round table conference by Wall Street analyst Dr. Michael Hudson. He reinforced the Stiglitz critique and recommended that there were legal and moral reasons why Russia should refuse to pay loans to foreigners.

Dr. Hudson maintained that the West was deliberately influencing Russia's property and tax laws to enable Western corporations to extract Russia's resource rents. He offered an account of the Jubilee arrangements which facilitated the cancellation of government-induced debts and the restoration of land, and suggested that this offered a model for Russia. He urged the Duma to renege on debts that were incurred by the Yeltsin administration without the endorsement of the Duma.