

“Is There a Brussels Consensus?”

John Williamson
Discussant: John Parker

28th September, 2006, 12:45 pm to 2:30 pm, at Bruegel

On September 28th 2006, John Williamson headed a discussion during Bruegel's lunchtalk on the “Brussels Consensus”. Williamson is a Senior Fellow at the Institute for International Economics (IIE) in Washington DC and the originator of the concept “Washington Consensus”. Williamson discussed the principles behind the Washington Consensus and highlighted the areas in which one could say there is a Brussels Consensus. He discussed whether there are lessons for Brussels to be learned from the fate of the Washington consensus.

Williamson started his presentation by describing the basic idea behind the Washington Consensus. In his view, topics can be divided into two categories: consensual or constitutional issues on the one hand and the controversial or partisan ones on the other. The Washington Consensus was concerned with the first set of issues - drawing from the reform experience of the 80's in Latin America – and included three main areas: macroeconomic stability, trade openness (“globalisation”) and market economics. Other issues, such as redistribution, capital controls, method of privatization and the type of market economy, were open to political debate and, therefore, not part of the Consensus.

Drawing a parallel with the Washington Consensus, Williamson then described what he thinks would need to be part of a Brussels Consensus. He concluded that a Brussels Consensus would consist of: 1) democracy and minority rights; 2) European economic integration – although not necessarily global integration; 3) social market economy – although issues of redistribution are still part of the political debate; and 4) macroeconomic stability.

Williamson warned that, although the Washington Consensus was envisaged as consensual while leaving many issues open for political discussion, it became an ideological debate and has been associated with a biased – neo-liberal - view of the economy. Williamson noted that this latter perception may be due to one of two reasons: 1) its contents are not yet consensual but may become in the future; 2) issues have been incorrectly classified as consensual or partisan.

To conclude his presentation, Williamson highlighted that none of the elements in the Brussels Consensus seemed obviously partisan. However, he recognized that the consensus on the four issues mentioned above highly depends on the “social” characterisation of the market economy and the “European” dimension of integration (as opposed to global integration).

The discussant for this presentation was John Parker, Brussels Bureau Chief for The Economist and author of the weekly Charlemagne column. Parker started by pointing out that his view on the Brussels Consensus was more pessimistic than Williamson's. In particular, while he recognises the existence of a Brussels Consensus, he argued that it takes for granted many elements that ought to be part of the political debate. Similarly, it leaves out other topics that are indeed consensual.

Parker went back to the three elements that, according to Williamson, were common to the Brussels and the Washington Consensus: fiscal and monetary discipline, openness and market economics. He noted that while they seem to be similar, there are important differences. First, the Brussels Consensus is much more specific on the codification of the fiscal and monetary

objectives. In the same way, although the Washington Consensus was about global integration, the integration envisioned in the Brussels Consensus is only at the European level. Finally, he argued that the issue of social market economics is not consensual either.

More generally, Parker argued that the Washington Consensus had the support of the US Federal Government, the international financial institutions, think tanks in DC, the economic profession, financial markets and many of the governments that had implemented these reforms. In contrast, he noted, the Brussels Consensus is not shared among all member countries and cited the rejection of the European Constitution in France and The Netherlands as an example.

Among the elements that Parker considers should be part of the Brussels Consensus, he listed the division of powers between the EU and the member states – although noted that sometimes this separation is made unclear. Parker concluded his comments by noting that, while there is a Brussels Consensus, he was afraid that it is not similar to what Williamson envisaged with the Washington Consensus, but more just a consensus among people in Brussels.

The open discussion started with comments by a participant who noted that it is difficult to have a Brussels Consensus if there is no European polity. He also highlighted that the crucial next phase for the Brussels Consensus is related to development policy. Following, another participant stressed the existing differences in terms of fiscal and monetary policy between the Washington and the Brussels Consensus. He referred in particular to the detailed codification of fiscal policy in Europe and to the limited objective of the European Central Bank of price stability.

André Sapir (Bruegel) warned that the type of consensus in Washington and in Brussels is not the same. First, the Washington Consensus was aimed at the developing world. Second, because of the nature of the construction of Europe, there is need for more codification – the European countries have the same currency, for instance. He stressed that the key issue to be addressed is how far from Brussels is the Brussels Consensus actually held. Jean Pisani-Ferry (Bruegel), however, expressed a different view, noting that the comparison is valid since there was a consensus in Europe in the 1980's before the building of European institutions went further even though countries had very different characteristics. On the other hand, Nicolas Véron (Bruegel) considered that Williamson had stopped short in describing the Brussels Consensus, not highlighting that the real debate in Brussels is about European integration and that, therefore, this item is not really part of the Consensus.

Another participant, for his part, highlighted that there is in fact an official consensus that is being exported to new members, but that these members later discover that the consensus is not as strong as they thought and that fuels internal debate. So, for that participant, the Brussels Consensus is indeed about Europe and the rest of the world. On that same note, a further participant added that the time has come for the rich countries in Europe to fulfill the promises they made to the new member countries and asked Williamson about the next steps after the Brussels Consensus.

Jakob von Weizsäcker (Bruegel) reflected on the reasons behind the unpopularity of the Washington/Brussels Consensus. He noted that, often times, issues are taken out of the political debate in the sense that, after agreed upon by a group of experts, they consider the selling of these ideas as a pure public relations problem. Another issue was raised by a participant: the implications for the durability of the Washington Consensus if a consensus emerges of Europe vis a vis the developing world.

André Sapir (Bruegel) commented that part of the backlash on the Washington Consensus comes from the US trying to export its ideology. For him, Europe is trying to export integration and cited ACP and Mercosur as examples. Williamson responded that the Washington Consensus was not about imposing policies to Latin America since it was based on the reform process experienced by those countries and not decided upon in Washington.

Parker took on Weizsäcker's comments and added that there are some issues that are not possible to keep depoliticised. Furthermore, we asked whether Europe needed more disagreement about issues.

On that note, Andre Sapir closed the discussion by pointing out that, although it is a powerful idea to be able to separate issues between consensual and partisan, in Europe this borderline itself may be under debate – integration has widened and deepened and all the time there are questions about where the line between consensual and partisan issues lies.