WASHINGTON CONSENSUS. In 1990, John Williamson coined the term “Washington Consensus” to refer to the set of economic reforms that the U.S. government and Washington-based international-financial institutions had considered necessary to restore growth in Latin America during the late 1980s. Williamson summarized these recommendations as a combination of “prudent macroeconomic policies, outward orientation, and free-market capitalism.” He also provided a more specific list of ten policy areas that could be used to characterize the consensus: (1) fiscal discipline, (2) redirection of public expenditure toward the areas of education, health, and infrastructure, (3) tax reform, (4) interest-rate liberalization, (5) competitive exchange rates, (6) trade liberalization, (7) liberalization of inflows of foreign direct investment, (8) privatization, (9) deregulation, and (10) secure property rights. Although the Washington Consensus originally intended to cover Latin American reforms, broad agreement exists that it is also a generally adequate characterization of the policies urged on other developing countries.

The term gained broad usage among policy analysts, where it was seen as a value-neutral alternative to the term “neoliberalism” that had been in vogue among critics of free-market reforms since the early 1980s. Williamson, however, has insisted that there is an essential distinction between the policies he referred to, which he contends to be essentially pro-poor, and the market fundamentalism often associated with neoliberalism.

With the exception of Cuba, the evidence suggests that all Latin American economies had moved in the direction of the Washington Consensus recommendations by the late 1990s. For example, Lora built a quantitative indicator of the extent of progress in free-market reforms and found that all nineteen countries in his study saw an increase in the degree of liberalization between 1985 and 1999, with the average value of the index (calculated on a scale of 0 to 1, with higher values corresponding to greater liberalization) going from 0.34 in 1985 to 0.58 in 1999.

Broadly speaking, three different hypotheses have been proposed for the wholesale adoption of these reforms. A first explanation has stressed the unsustainability of previous import-substitution policies, whose unraveling was associated with the debt crisis in the region and the onset of hyperinflations in a number of countries. An alternative explanation has insisted on the role of external pressure by international financial institutions such as the World Bank and the International Monetary Fund (IMF). A third strand of the literature has emphasized shifts in domestic coalitions leading to the breakdown of the import-substitution corporatist arrangements among the state bureaucracy, organized labor, and domestic industrialists.

The effects of the adoption of Washington Consensus policies on poverty reduction and economic growth are controversial. Latin America’s growth performance during the postreform period has been disappointing, with per worker gross domestic product (GDP) and total factor productivity growing at annual rates of only 0.1 percent and 0.2 percent, respectively, between 1990 and 2002. Econometric analyses, which attempt to control for the effect of factors not related directly to the adoption of free-market reforms, give broadly differing estimates, depending on the statistical methodology and operationalization of the reform variable. The growth effects range from zero to three percentage points. Even the latter estimate, however, falls far short of the magnitude necessary to replicate the growth experiences of successful East Asian economies such as those of South Korea, Taiwan, and China, which attained average yearly per capita growth rates of 6 percent or more during the period 1970–2000.

A particular complication in measuring the effect of Washington Consensus reforms relates to the evaluation of policies that were part of the Williamson characterization but nevertheless were not generally undertaken by Latin American countries during the 1990s. This appears to have been the case with infrastructure investments that, despite forming part of Williamson’s second objective, saw a significant decline over this period in most Latin American countries. Some observers have attributed this decline to the requirement of meeting tight fiscal targets in many IMF-supervised adjustment programs, in a process that has come to be known as “illusory fiscal adjustment,” whereby countries pay down financial debt by drawing down the stock of public capital.

One group of critics of the Washington Consensus has criticized Williamson’s list as inadequate, either because it is incomplete or because some of the policies in the list are not likely to advance the desired objectives. Stiglitz, for example, in a 1999 article advocated drawing up a new list, focusing on sustainable, egalitarian, and democratic development and including concrete policies such as sound financial regulation. Others have contested the idea of a one-size-fits-all approach to development and have argued that the list of policies likely to be effective will vary widely according to a country’s institutional and structural characteristics.
The early twenty-first century has witnessed a movement away from Washington Consensus policies in many Latin American countries. This phenomenon may be a reflection of the substantial electoral costs associated with the adoption of such policies. In 2005, Lora and Olivera estimated the electoral cost of implementing Washington Consensus reforms as a loss of 23 to 40 percent in the vote share of a typical incumbent party, although the effects are attenuated when the reforms result in a significant reduction in inflation. The new Latin American Left is very diverse in its key approaches, but at least some countries, such as Venezuela and Bolivia, have moved in the direction of greater state intervention through nationalizations, imposition of price and exchange controls, and substantial increases in government spending.

[See also Conservatism, subentry Latin America.]

BIBLIOGRAPHY

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WASHINGTON NAVAL CONFERENCE. In the aftermath of World War I, the victorious nations of Britain, the United States, and Japan sought ways through negotiation and mutual agreement of balancing their naval forces and creating a new international system of naval arms control designed to preserve the status quo between themselves and other naval powers. Their combined efforts led to the creation of the Washington Naval Limitation System, which governed and regulated naval construction and development between 1921 and 1939.

All three nations viewed creation of this system as advantageous: the British sought to use the system both to defend and to preserve their traditional position as the world’s largest naval power, in the face of recent challenges from Japan and the United States; the Japanese saw the system as a means of guaranteeing recognition of their role as the primary power in East Asian and western Pacific waters; and the United States saw the system as an alternative forum for international diplomacy and arms limitation, after the U.S. Senate’s failure to ratify membership in the League of Nations.

Among all participants another general perception existed: that a naval arms race had helped bring about the recent war, and that controls on naval expansion were necessary to avert future conflicts. This view enjoyed strong public support in the United States and helped motivate the newly elected president, Warren G. Harding, to call for an “association of nations,” separate from the league, that could meet periodically and work together on specific issues related to international disarmament.

Contingent circumstances also encouraged tripartite cooperation; all three nations, despite facing no real challengers except each other on the world’s oceans, and in the midst of global economic recession, continued to construct capital ships in the aftermath of World War I, raising the prospect of a new naval arms race. British concerns over the future of Asian and Pacific naval arrangements combined with American concerns over renewal of the Anglo-Japanese Alliance by the summer of 1921, leading to a call by the U.S. secretary of state Charles Evans Hughes for a conference in Washington, D.C., beginning on 11 November 1921. Britain, Japan, France, and Italy subsequently attended.

The second day of the conference, 12 November, proved memorable. Hughes shocked his peers by outlining a U.S. proposal for an immediate, decadelong moratorium on the number of capital ships. After many negotiations, the five nations agreed on a ten-year moratorium on new capital-ship construction and on a final ratio of maximum capital-ship tonnage of 5:5:3:1.75:1.75, which equaled 500,000 tons for Britain and the United States, 300,000 tons for Japan, and 175,000 tons for France and Italy. All five nations approved this agreement, known as the Five Power Naval Treaty, on 6 February 1922.

Although the treaty reflected contemporary thinking concerning the military dominance of capital ships, or battleships, no language limited other types of naval shipping, which led to expanded construction of ships just below the treaty’s definition of a capital ship, the so-called heavy cruisers. Nor were any inspection clauses or technological limits included in the language—omissions that significantly diluted the treaty’s value as an arms control mechanism.