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FROM THE EDITOR

AT THE IMF–World Bank Annual Meetings in Dubai in late September, a key concern will be the international community's strategy to help low-income countries accelerate growth and reduce poverty. In the early 1990s, many people felt that such a strategy existed in the "Washington Consensus"—a term coined by the British economist John Williamson in 1989 to summarize the main elements of policy that he argued almost everyone in Washington thought were needed in Latin America as of that date. The list included 10 items: fiscal discipline, reordering public expenditure priorities to be propoor and progrowth, tax reform, liberalization of interest rates, a competitive exchange rate, trade liberalization, liberalization of inward foreign direct investment, privatization, deregulation, and property rights. Even today, while most economists and policymakers would probably want to add to the list, only a minority would probably want to subtract much. But, over time, the phrase has taken on a life of its own. Some see it, for better or for worse, as an agenda of neoliberal policies. Many see it as a set of policies that Washington-based institutions have imposed on developing countries, and not just in Latin America. Following the financial crises of the late 1990s, the hot question in political and academic circles has become whether the Washington Consensus is to blame for Latin America's woes and even for the ills of globalization.

We asked Williamson what to make of this muddle, and his answer is *F&D*'s cover story. He suggests that, when a term has come to acquire such different meanings, it is time to drop it from the vocabulary. He also proposes a new agenda for Latin America—which he hopes will be called anything but the "Washington Consensus II." It includes crisis-proofing economies; completing (and where necessary, correcting) the "first-generation" liberalizing reforms; complementing those with "second-generation" (institutional) reforms; and broadening the agenda to include income distribution—after all, Latin America has the most unequal income distributions in the world.

What do the leaders of the countries themselves think should top the policy agenda for developing countries? We asked Mexican Central Bank Governor Guillermo Ortiz and South African Finance Minister Trevor Manuel for their thoughts. For Ortiz, the emphasis needs to be on the positive aspects of state intervention—in other words, policies that are fundamental for ensuring the proper functioning of markets, such as institution building. For Manuel, Africa's special problems dictate the need to reduce the role of dual economies, create social capital, and enhance the role of the state. But he says that, unlike other regions that have struggled with states that account for half of national income and try to do everything, Africa has suffered from weak and limited states. Finally, to gain yet another ideological perspective, for *People in Economics*, we interviewed MIT's Esther Duflo, who is one of a rising group of young economists questioning traditional development strategies.

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In "Straight Talk," Kenneth Rogoff, the IMF's Economic Counsellor and Research Department Director, tackles the question of how candid the IMF should be as it steps up its efforts to prevent global financial crises. He concludes that, even though the art of predicting such crises leaves a lot to be desired, more whistle-blowing would be a welcome sound; in fact, the institution's very future might hinge on its being more candid.

Laura Wallace
Editor-in-Chief

Finance & Development welcomes readers' comments. Letters should not exceed 250 words and may be edited for length and clarity. Please address letters to the Editor-in-Chief, *Finance & Development,* International Monetary Fund, Washington, DC, 20431, USA or e-mail to *fanddletters@imf.org.*