



Economic Policy, Distribution and Poverty: The Nature of Disagreements

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Summary. — The last 20 years have seen growing areas of agreement on poverty reduction strategies, but disagreements on economic policy, distribution and poverty seem to have intensified. This paper tries to identify the underlying nature of these disagreements, related to differences in perspective and framework between “Finance Ministry” and “Civil Society” tendencies. It is argued that the deep divisions one sees can be located in differences in the level of aggregation adopted, the time horizon considered, and assumptions made on market structure and power. Mutual understanding could be advanced by further exploration of these differences, and the adoption by both sides of the approach of dialogue rather than negotiation. © 2001 Elsevier Science Ltd. All rights reserved.

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1. INTRODUCTION

The end of history lasted for such a short time. If the early 1990s raised hopes of a broad-based consensus on economic policy for growth, equity and poverty reduction, the late 1990s dashed them. The East Asian crisis and the Seattle debacle saw to that. In the year 2000, the Governors of the World Bank, whose mission it is to eradicate poverty, could meet only under police protection, besieged by those who believe instead that the institution and the policies it espouses cause poverty. The street

demonstrations in Prague, Seattle and Washington, DC, are one end of a spectrum of disagreement, which includes vigorous debate in the pages of the leading newspapers, passionate involvement of faith-based organizations, and the genteel cut and thrust of academic discourse.

The last two years have seen my involvement in an extensive process of consultation on poverty reduction strategies.¹ The consultation reached out to most interested constituencies in the academic, policy making and advocacy communities. It covered the international

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financial institutions (IFIs) and the myriad UN specialized agencies, Government Ministries in the North and the South, Northern aid agencies, academic analysts in rich and poor countries, Northern and Southern advocacy nongovernmental organizations (NGOs), and NGOs with ground-level operations working with the poor. It involved a global electronic consultation, as well as conventional written contributions, and scores of meetings. A particularly valuable exercise was the systematic attempt to elicit directly the "Voices of the Poor" through participatory assessments.

This paper presents an analysis of the broad themes of disagreement in these consultations and more generally among those concerned with poverty reduction. It has to be noted first of all that there are swathes of agreement in areas where there would not have been consensus two decades ago. Any discussion of disagreements has to start with an acknowledgement of these areas of agreement. But, clearly, there are deep divisions on economic policy, distribution and poverty. These divisions spilled out in the consultations, mostly politely but sometimes in vehement discourse, written and oral, harbingers of the street battles to come.

The paper tries to answer an obvious question: How can people with seemingly the same ends disagree so much about means, and how can seemingly the same objective reality be interpreted so differently? The simple answer, which the protagonists themselves often provide, is of course to question the motives or the analytical capacity of those one disagrees with. The suggestion that "the others" are either not truly interested in attacking poverty (quite the opposite, in fact), or that they make elementary errors of fact or interpretation, is never very far below the surface.

It is argued here, however, that at least some of the disagreement can be understood in terms of differences in perspective and framework. Understanding disagreements in these terms—rather than in terms of motives or intelligence—is more conducive to encouraging dialogue rather than confrontation. The object of this paper is to provide an account of some of the underlying reasons for deep disagreements on economic policy, distribution and poverty, and to couch these in an analytical rather than a rhetorical frame. But before doing this we need to say a little more about disagreements over what and disagreements between whom.

2. DISAGREEMENTS OVER WHAT AND BETWEEN WHOM?

Disagreements over what? The next section will review some broad areas of consensus on poverty reduction strategies. But the focus of this paper is on disagreements, and these have begun to coalesce around a seemingly irreducible core of economic policy instruments. There are major disagreements on the pace and sequencing of fiscal adjustment, monetary and interest rate policy, exchange rate regimes, trade and openness, internal and external financial liberalization including deregulation of capital flows, the scale and methods of large scale privatization of state owned enterprises, etc. Perhaps trade and openness is the archetypal, emblematic, area around which there are deep divisions, and where certainly the rhetoric is fiercest.

Disagreements between whom? Any attempt at categorization and classification risks doing violence to a complex and richly textured reality. But the following grouping would be recognizable to many, and captures broad elements of policy disagreements. One group, call them Group A, could be labeled "Finance Ministry." In this group would obviously be some who worked in finance ministries in the North, and in the South. It would also include many economic analysts, economic policy managers and operational managers in the IFI's and the Regional Multilateral Banks. A key constituent would be the financial press, particularly in the North but also in the South. Finally, one would include many, though not all, academic economists trained in the Anglo-Saxon tradition. Another group, call them Group B, could be labeled "Civil Society." This group would obviously include analysts and advocates in the full range of advocacy and operational NGOs. There would also be people who worked in some of the UN specialized agencies, in aid ministries in the North and social sector ministries in the South. Among academics, noneconomists would tend to fall into this group.

To repeat, any such classification is bound to be too simple a reflection of reality. Although the terminology of "Group A" and "Group B" is easier to deploy, A and B are better thought of as tendencies rather than as defined and specific individuals. There are clearly people who work in the IFIs who are not "Finance Ministry types," just as there are academic economists trained in the Anglo-Saxon tradi-

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