Towards the "Minsk Consensus": Some personal reflections

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This note is an attempt by a (co-)creator[1] to explain what the "Minsk Consensus" is (or might be), and how it may be of broader use. It is intended as an instrument for further reflection and discussion at the Kastryčnicki Economic Forum; it does not claim to represent the views of UNDP, the United Nations, or its Member States.

Where to start? Perhaps by pointing out that the fate of other "consensuses" (e.g., the Washington Consensus, the Beijing Consensus, etc.) suggests three lessons. First: they are easily misunderstood and often reduced to caricature; John Williamson's lamentations about the polemical over-simplification and confusion that followed his (still eminently sensible, in my view – when considered in its proper context) original presentation of the Washington Consensus can serve as case in point.

Second: there need not be a close link between the location that is referenced in the title of the consensus, and the content of the consensus itself. In Williamson's original presentation, the "Washington consensus" originated as much from analyses and policies developed and pursued by Latin American economists as it did from the Bretton Woods Institutions or the US Government. The conjoining of a certain location to a certain development paradigm serves instead to drive home some other point, typically concerning the links between a given place or country and the substantive dimensions of the consensus – irrespective of whether the consensus in question actually originated there.

Third: the term "consensus" is actually a misnomer, in that the underlying argument generally does not meet with universal assent. (If anything, the opposite would seem to be the case.) The value of such "consensuses" lies not in the fact that everyone agrees with them, but rather in their ability to capture a certain synthesis or convergence of views that can lead to greater clarity and understanding; to helpfully simplify without over-simplification.

Seen in this context, the "Minsk Consensus" may be contextualized as follows. If the advent of Williamson's "Washington consensus" in the late 1980s, the subsequent post-socialist/post-Soviet economic transitions in Europe and Eurasia of the 1990s, and recent developments in the global political economy are taken as the relevant timeline and frame of reference, then three key lessons emerge – with important implications for "developing", "transition", and "developed" countries alike.

The first lesson is that the conceptual integrity of the implicit "end state" of transition and development – becoming a "consolidated democracy", joining the OECD (and OECD-DAC), etc. – has lost at least some of its lustre. This does not mean that it is better to be a middle-income than an upper-income country; or that one should want to live in a country where the government does not seek to protect its citizens' rights. Nor does it mean that poorly functioning economic and political institutions cannot be improved via reform; of course they can, and should be.

However, Donald Trump's US presidency, and the challenges facing the EU (e.g., the "Euro crisis", the "migration crisis", Brexit and the spectre of populist nationalism, etc.) point to deep-seated popular disaffection with the "glittering future" toward which transition, developing, and democratizing countries have been urged by the "developed West" for the past two (at least) generations. If growing numbers of wealthy (on average) Americans and West Europeans are rejecting this end goal, and if the global political economy on which it rests is increasingly contested *inter alia* by the BRICS (and by other countries) that collectively represent the global demographic and economic future, why should others be expected to aspire to it?

The second lesson is that, in contrast to the cruder (i.e., "non-Williamsonian" forms) of the Washington Consensus, the objective of policy reform should not be about strengthening markets and shrinking the state – or vice versa. It should instead be about strengthening both markets and states. This is apparent in the facts that: (i) the world's wealthiest countries tend to have the most effective market and state mechanisms; and (ii) both markets and states need the other to function well in order to function effectively themselves. Well-functioning markets require strong state institutions to protect property rights, correct market failures, and provide macroeconomic stability. Likewise, well-functioning states require markets that can allocate resources relatively efficiently, without the state having to serve as the "operations manager for the national economy" – thereby allowing the state to perform more strategic tasks that cannot be left to markets.

[1] This formulation means that the author does not seek sole possession of the "Minsk Consensus" term – but is willing to accept full blame for any mistakes in its conceptualization (but not, necessarily, in its application).

Third, recent history is full of poignant reminders that, as determinants of policy and socio-economic outcomes, welfare-improving theories and well intentioned reforms often take a back seat to political economy factors. For example:

- The global financial crisis of 2008 resulted primarily not from some misguided "neo-liberal" pursuit of market bolshevism, but rather from the political influence of banking and other corporate lobbies in OECD countries that hamstrung regulators' abilities to address emerging threats to financial stability.
- The much-declaimed "hollowing out" of middle classes in OECD countries has resulted not from some general immiseration associated with globalization, but from interest-group constraints on policy makers' abilities to redistribute gains from trade from winners to losers. (Stiglitz, among others, has made this point quite eloquently.)
- As Hellman pointed out some two decades ago, the failures of market reforms to produce desired outcomes in many transition economies has resulted not from misguided ("shock therapy" or "gradualist") ideological approaches to reforms *per se*, but rather from the emergence (often thanks to these reforms themselves) of new political interests (e.g., oligarchs) who have distorted, weakened, or prevented the implementation of the governance reforms (e.g., competition policy, anti-corruption initiatives) needed to translate greater reliance on markets into better development outcomes.

What does all this have to do with Minsk? Belarus can be seen as a country with three important characteristics in this context. The first is that Belarus is a transition economy that has managed to avoid some of the worst disappointments associated with market reforms, while retaining and (to some extent, modernizing) the state capacity inherited from the Soviet period. Many observers would argue, of course, that Belarus has managed to avoid dilemmas of market reforms by not fully introducing them – and there is clearly something to these arguments. However, this does not change the fact that Belarus is looking to strengthen market mechanisms, while also continuing to modernize state institutions – without creating pernicious interest group constellations that can sabotage both projects. (And, we might add, without depleting the human and natural capital endowments on which Belarus's future depends). For all its distinctiveness (but, after all, all countries are distinctive...), Belarus is in fact wrestling with the key problems of the age, that all countries are facing.

Second, for all of Belarus's development accomplishments as an upper middle-income country, these accomplishments are at present quite vulnerable, both to macroeconomic shocks and to the heightened east-west political tensions that now constitute a key feature of the East European international environment. Since the currency crisis of 2010-2011, Belarus been facing perpetual risks of sovereign default and stagnating living standards. With growth prospects in key export markets (i.e., Russia and the EU) tepid at best, and with reform efforts to gradually shift the economy's centre of gravity from the state to the private sector having reached an impasse, it is not clear why Belarus's economic prospects should improve significantly in the foreseeable future. Politically, Belarus is discomfited by the heightened tensions between Russia and NATO; and while adroit diplomatic manoeuvring between East and West and increased engagement with China have afforded certain advantages, these pale in comparison to what could result from a pan-European (not to mention global) order in which peace, development, and multilateralism would play stronger roles. In a world in which growing numbers of countries are facing middle-income country traps and heightened development and security risks, Belarus once again can serve as a bellwether.

Third, Belarusian diplomacy has perhaps been the most active in Europe in seeking accommodative, partnership relations between the Eurasian Economic Union (of which it is a founding member) and the European Union – which is Belarus's second largest export market, as well as a major source of ODA, remittances, and technology. Belarusian advocacy for the "integration of integrations" can be seen as a call for pragmatic solutions to the largely unintended consequences of trans-national integration. It also calls attention to the need to go beyond sometimes competing regional integration initiatives and embrace more robustly multilateral approaches to issues of development and security. In this respect as well, Belarus can serve as a bellwether.

In sum: Belarus is a country whose development aspirations are intimately connected with the challenges of simultaneously strengthening both state and market institutions, of using multilateralism to address unintended consequences of regionalism, and of doing so in ways that restore and deepen the human and natural capital upon which its future depends. Rather than laying claims to over-arching development paradigms or one-size-fits-all solutions, Belarus's experience points to the need for pragmatic combinations of private- and public-sector governance reforms that are consistent both with national specifics and with the principles of sustainability and inclusiveness that underpin the global Agenda 2030 for sustainable development; and which can help align otherwise competing regional integration processes with multilateral peace, security, and development logic. This is what the "Minsk Consensus" is (or could be) about.

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