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The BRICs and the Washington Consensus: An introduction

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Over the past two decades, the spread of ideas and policies associated with the Washington Consensus has captured the attention of political economists. As a systemic feature of the global economy, this process of diffusion has merited such scholarly attention. However, the systemic shock of the Great Recession has called into question the oft-noted convergence of rising economic powers such as Brazil, Russia, India and China (BRICs), along with their supposed relationship to the Washington Consensus policy paradigm. Indeed, the crisis has brought to the fore the question of whether the BRICs have 'grown apart' from both the ideas and the policies prepared for them by Washington-based institutions. To date, there has been no systematic scholarly effort aimed at analysing the spread of Washington Consensus ideas and policies in relation to the rise of the BRICs.

This special issue attempts to fill this gap through six contributions that bring together scholars interested in the political economy of development and the sociology of ideational and institutional change. Their main finding is that the BRICs attempted to balance their adoption of select parts of the Washington Consensus template while defending and often reinventing the relevance of state-led development policies under the guise of being compliant with the Washington Consensus itself. In so doing, they have neither pioneered a post-neoliberal transformation, nor have they proved to be simply forces for the continuation of Washington Consensus ideas and policies in the global economy.

Two questions, therefore, animate this special issue: what did the Washington Consensus look like in practice? And how have the BRICs appropriated, adopted, adapted or abandoned specific aspects of this transnational policy paradigm? These are important questions for scholars of international political economy because they cut to the heart of on-going debates taking place in several social science disciplines concerning the diffusion of liberal economic ideas and the remaking of the global economy (Meseguer, 2005; Jordana and Levi-Faur, 2005; Simmons *et al.*, 2008; Orenstein, 2010; Gilardi, 2010; Wacquant, 2012; Peck, 2011).

The BRICs play a special role in this drama. As a group of emerging economies, they started out as a mere Goldman Sachs investment meme a decade ago and yet went on to become one of the few beacons of the global economy during the Great Recession. They even formed an intergovernmental alliance of South-South cooperation,[1] with an ambitious agenda in international economic institutions.[2] What makes them particularly interesting to us, however, is that although these countries went through their impressive growth spurts in an international context dominated by neoliberal economic ideas and narratives about the dos and don'ts of development, they nevertheless reclaimed the role of the state in development far beyond the limits of the Washington Consensus framework. The BRICs have a greater degree of policy autonomy from the Washington Consensus core institutions – the World Bank and the International Monetary Fund (IMF) – than other states in the so-called 'Global South' (Woods, 2006; Pop-Eleches, 2008).

Given this and their systemic importance in the global economy, the BRICs stand as critical cases where we can examine the domestic dynamics of Washington Consensus support and contestation.

The added value of this special issue is threefold. First, we examine the relationship between the BRICs and the Washington Consensus over time and attempt to extract the dynamics of this interaction for the BRICs as a group. As such, the contributors examine the ideas and institutions of this transnational policy paradigm while explaining why and how they were reproduced, modified or contested in the domestic politics of each state. Second, while calls for interdisciplinarity are many, their realization in focused empirical work is harder to come by (e.g., Simmons *et al.*, 2008). This special issue contributes to this emerging literature by hosting contributions from political science and sociology. The efforts of four political scientists to illuminate the workings of the individual cases (Cornel Ban, Peter Rutland, Rahul Mukherji and Matthew Ferchen) are framed by the insights of sociologists working on the transnational institutional devices of the Washington Consensus (Sarah Babb) and its economic ideas (Marion Fourcade). Finally, the case studies approach the topic from varying theoretical perspectives that seek to specify the political conditions under which economic ideas play a critical role in institutional transformation.

In the remainder of this introduction, we unpack these issues. In the first section, we review the relevant literature, briefly discuss the genealogy of BRICs as a concept, and then showcase how the Washington Consensus was practised by the international financial institutions (IFIs). In the next section, we present the main findings of the case studies. In the final section, we outline several ways in which the special issue contributes to existing scholarship on policy diffusion in the international political economy.

FROM BASIC CONCEPTS TO THE STATE OF THE ART

In a recent study, Leon Wansleben (2013) examined the conceptual genealogy of the term, BRICs, via the investment discourses and statistical tools used by Goldman Sachs. Wansleben traced the origins of the BRICs concept through the common classificatory regimes of investment banks. He traced the concept's journey across the boundaries demarcated in these classificatory regimes between low-risk developed economies and high-risk developing economies, and through the assumptions regarding return expectations and the risks assigned to states by these distinctions. The BRICs concept, as crafted by Goldman Sachs, re-narrated a specific cluster of large emerging economies as safe, long-term financial asset providers using a broad array of financial industry narrative and calculative devices. A decade later, when sovereigns in the European capitalist core were experiencing levels of distress once thought to be specific to developing countries (Gabor and Ban, 2013), the BRICs not only increased their share of the world economy, they took the performance of Goldman Sachs' concepts to an advanced level by organizing BRICs summits, debating a joint intervention in the Eurozone crisis and even discussing the possibility of a BRICs bank. Indeed, one would be hard pressed to find a better illustration of the relevance of the performativity of a financial product in the global economy (MacKenzie *et al.*, 2007).

However, perhaps more important for our purposes here, common understandings about world trade as a largely North–North and North–South phenomenon have been definitively challenged by the BRICs boom of outward investment in both developed and developing countries (Gammeltoft, 2008; Santiso, 2008; Pradhan and Singh, 2009; Pradhan, 2011; Milelli *et al.*, 2010; Wójcik and Burge, 2010; Sweet, 2010; Filippov, 2011). The BRICs have shaped developments in the Global North, too, not only in investment and trade by putting downward pressure on inflation in developed countries (Baudry, 2012), but also through the delinking of stock prices in their own financial systems vis-à-vis the US financial markets during the financial crisis (Xu and Hamori, 2012; Ono, 2011). Old Western niches of high value-added privileges, such as IT and advanced manufacturing, are today challenged by the BRICs as never before. Indeed, the most salient question is how this extremely disparate group of countries managed such impressive growth rates and sectoral expansions in the first place?

The answers given by mainstream economists tend to conform to mainstream growth theories. Some of these authors see revolutions in labour reallocation and, in the case of Brazil, labour formalization as contributors to massive increases in labour productivity and subsequent growth (De Vries *et al*., 2012). Others see the rise of the BRICs in terms of human capital (Ardichvili *et al.*, 2012). Such findings are valuable, yet they give short shrift to the BRICs' engagement with the policies of the Washington Consensus and the economic ideas that undergird it.

In the light of the extensive political science literature on the domestic workings of the Washington Consensus, one may be inclined to expect political scientists to study these dynamics. Yet, there are few political scientists who have examined the BRICs' focus on foreign policy issues (Laidi, 2012; Hooijmaaijers and Keukeleire, 2012; Glosny, 2009; Roberts, 2009), the BRICs' role in global governance institutions (Larionova, 2012; Isachenko, 2012), or their role in development aid (Rowlands, 2013).[3] Similarly, most of the work on BRICs done by political economists has focused on individual countries or, at best, on China–India comparisons (Saad-Filho and Morais, 2012; Kröger, 2012; Ye, 2009; Tsai, 2007; Hsueh, 2012; D'Costa, 2012a, 2012b; Mukherji, 2010; Appel, 2004, 2008; Appel and Orenstein, 2012; Johnson, 1994, 2000, 2001; Lane, 2008; Rutland, 2008; Robinson, 2011). This narrowness of focus provides a unique opportunity for interdisciplinary scholarship to systematically analyse how the BRICs compare with each other with regard to one very significant and specific issue: their translation of the Washington Consensus' ideas and policies and how this impacted their pathways to growth.

POLICY PARADIGM ADOPTION AS A PROCESS OF TRANSLATION

The articles that make up this special issue examine the Washington Consensus as a policy paradigm whose boundaries have shifted over time and place. During the past two decades of its existence, the Consensus survived several major crises that appeared to disconfirm the economics on which it was based. This, in turn, led to what might be described as several rounds of 'edits' cut into the original version proposed by John Williamson (Rodrik, 2006; Peck *et al.*, 2010; Birdsall and Fukuyama, 2011; Sheppeard and Leitner, 2012; Blyth, 2013; Babb, this issue). But the transformations of the ideational and institutional bases of this paradigm in the aftermath of those crises should not be construed as a sign of its weakness. Instead, they should be seen as evidence of its adaptability to countervailing political and economic dynamics (Peck, 2010).

Sarah Babb frames the special issue through a close empirical analysis of the dynamic interventions through which the Bretton Woods institutions, rather than intellectual framers such as John Williamson or Dani Rodrik, developed and deployed the Washington Consensus in their actual policy interventions. Unlike previous understandings of the Consensus as either purely an intellectual framework or as a simple list of policies, Babb defines it as a contested and evolving transnational policy paradigm straddling the political and scholarly fields. Her contribution provides the special issue with a model and a periodization of the Washington Consensus: its rise, high influence, weakening and crisis.

Babb proposes a novel analytical framework for understanding the political mechanisms of this transnational policy paradigm. According to her, attention to the coercive mechanisms wielded by IFIs should be complemented by a close reading of the relationship between the US Congress, on the one hand, and the IMF and the World Bank, on the other. Without a good understanding of domestic American politics, one would gain only a partial understanding of the politics of diffusing the Washington Consensus around the world.

Yet, for all the discussion of the Washington Consensus in the context of its actual use by IFIs, during the past decade, new industrial and skill revolutions in China and India and commodity booms in Brazil and Russia enabled these large emerging markets to evade the policy conditionality used by the Washington-based IFIs. The contributions of Cornel Ban, Matthew Ferchen, Rahul Mukherji and Peter Rutland follow Babb's contribution and take a closer look at how each of these countries dealt with the Washington Consensus in an international political and economic environment largely deprived of the IFIs' main tool of this transnational policy paradigm: international policy conditionality.

HOW THE BRICS TORE AT THE FABRIC OF THE WASHINGTON CONSENSUS

In each of the case studies examined, we find that the adoption of the core liberal economic ideas of the Washington Consensus dramatically altered the domestic ideational and institutional landscape of each case. But we also find that the policy imperatives demanded by these ideas were only selectively institutionalized. The most important pattern is that in all four countries, the role of the state as a critical actor in development was rediscovered and re-established in ways that go far beyond the modest institutionalist turn experienced by the Washington Consensus after the East Asian crisis (Wade, 2011; Fine and Jomo, 2005).

The endurance of heterodox economic traditions at a domestic level, the endogenous dynamics of the political system, and the extent to which corporate interests or mass publics mobilized against the pro-Washington Consensus technocratic elites have all contributed to bringing the state back in once again. The result of this was a proliferation of institutional and ideational hybrids that bore the imprint of distinctive 'edits' of the original Washington Consensus to make them compatible with the domestic context. These findings must, however, be interpreted with caution. These hybrids do not constitute a qualitatively different type or constitute a new and fundamental challenge to the current capitalist order (Apeldoorn *et al.*, 2012). Nor do they serve as solid evidence for some counter-hegemonic 'state capitalist' economic model (Bremmer, 2009; Aligica and Tarko, 2012).

Taking into account these warnings, Matthew Ferchen notes how a back-to-back comparison of the Washington Consensus and the so-called 'Beijing Consensus' conceals more than it reveals, arguing instead that the focus should be on the domestic politics in play in each half of this comparison. Peter Rutland's study of the travails of the Washington Consensus in Russia, in contrast, shows how the Washington Consensus can in fact simply be ignored. Meanwhile, Cornel Ban's tracing of the Washington Consensus' imbrication in the Brazilian political economy and Rahul Mukherji's focus on the causal mechanisms that powered India's partial, albeit genuine, turn to the Washington Consensus provide still other examples of editing and hybridization. While Ban and Rutland's findings hinge on the endurance of the high commodity prices that sustain the Brazilian and Russian economies, Ferchen and Mukherji see mostly political challenges to the status quo in China and India.

Ban shows that Brazil's policy elites engaged quite consciously with the Washington Consensus policy paradigm. They 'edited' it and 'grafted' its ideas and institutions onto pre-existing domestic heterodox traditions. The result of this process has been the gradual crafting of a so-far sustainable alternative to the Washington Consensus that recovers the importance of the state in development. Specifically, continuing commitment to mainstream ideas about macroeconomic discipline has been layered in Brazil with policy positions that emphasize heterodox debt management in good times (reduced reliance on foreign finance) and heterodox countercyclical interventions in times of crisis (off-the-books fiscal stimuli through public development banks, expansionary minimum wage policy, and controls on capital flows).

Brazil's state managers engaged in bold privatization campaigns while consolidating the state's role as owner and investor in financial institutions able to fund industrial, innovation and credit policies. Deregulation was only selectively pursued in the case of the financial industry and, in defiance of the Washington Consensus, it left few traces in the labour market. Finally, the conditional cash transfer programmes certified as legitimate by the latest incarnation of the Washington Consensus were followed by heterodox wage and employment policies. Ban captures the hybridity of this policy regime that blends the Washington Consensus with heterodox economics as a hybrid that pursues growth with redistribution through an inclusionary state activism that avoids the wrath of financial markets.

Like Brazil, India also institutionalized a hybrid form of economic governance that lies between the Washington Consensus policy paradigm and domestic institutional imperatives. Yet, unlike Ban's study of Brazil, Rahul Mukherji's study of India is less concerned with the details of the hybrid. Mukherji, instead, attempts to unpack the causal generators of India's paradigm shift of 1991 in order to explain the origin of its current hybrid form. He argues that in India, this process was neither driven simply by capitalist interests, nor was it the result of the IMF's coercive interventions. Mukherji also dismisses the established narrative that the turn from import substitution to deregulation and globalization was the inevitable result of the balance of payments crisis of 1991. First, Mukherji notes the increasing influence of neoclassical ideas about development in the late 1970s and 1980s, which reached a tipping point in elite policy circles during the balance of payments crisis of 1991. To strengthen this thesis, Mukherji shows that similar reforms had been tried earlier, but without the preparatory ideational work, which is why they failed. Second, Mukherji argues that the actual institutionalization of these ideas by India's state was negotiated with a coalition of industrialists, professionals and farmers, whose political power filtered out some of the key elements of the Washington Consensus (labour deregulation, the removal of farm subsidies, the liberalization of the retail sector and of sectors considered strategic). As such, ideas and interests together explain the trajectory of the Indian case.

Ferchen's study of contemporary China focuses primarily on illuminating how Chinese elites try to make sense of the Washington Consensus and come up with alternatives to it. He shows that a checklist comparison points to a general correspondence between the Washington Consensus and Chinese policy goals and instruments. Yet, as is the case with the other BRICs, this correspondence registers several important local deviations in such areas as exchange rate policy, capital controls, selective privatization and an industrial policy centred on state-owned industrial champions. Ferchen's analysis of China pushes the diagnoses offered by the contributions to this special issue in a new direction. That is, while China exhibits several forms of state intervention in the economy that give Chinese capitalism a distinctly non-Washington Consensus flavour, these local adaptations do not necessarily amount to the antithesis of, or an alternative to, the Washington Consensus.

Western observers of China often juxtapose a 'Beijing Consensus' model of development with the Washington Consensus and assume that the Beijing Consensus is a coherent model shared by a wide spectrum of Chinese policy stakeholders. Ferchen disagrees and shows that what matters about the Beijing Consensus, to the extent that it actually exists, is not its content per se, but how policymakers on both shores of the Pacific understand it. His in-depth analysis of the economic ideas of Chinese elites finds that any attempt to compare the policy implications of the Washington

Consensus with the institutional dynamics of China's political economy is problematic because such a comparative exercise is inherently political among the domestic actors themselves. Thus, Communist Party, New Left and neoliberal intellectual leaders use the Washington Consensus as a weapon in their ideational struggles. In short, Ferchen shows us how the politics of the Washington Consensus in China is a politics of authority and legitimacy among domestic elites as much as it is a dispute over appropriate modes of economic policy. As such, any analysis of the political economy of China would be incomplete without understanding the politics of ideas in this 'clash of consensuses'.

Turning to Russia, Peter Rutland does not find a 'Moscow Consensus' standing in sharp contrast with the Washington Consensus either. Instead, Rutland argues that two sets of factors converged to bring Russia where it is today. First, he shows that the interests of managerial elites and would-be oligarchs that preyed on state resources and converted their political capital into economic capital checked the enthusiastic embrace of the Washington Consensus by the governing Russian technocratic elite during the 1990s. Despite this checkmating, Russian governments of this period did in fact implement the core prescriptions of the Consensus. Yet, despite these massive policy interventions, policy Potemkin villages dotted the policy landscape everywhere in post-communist Russia. The reasons for these policy failures constitute Rutland's second set of actors. This has more to do with the ideational environment of Russia in the 1990s than simply the material environment in which they operated. Specifically, he argues that although reformists inspired by the Washington Consensus tried to forge a pro-reform coalition by bridging nationalist and economically liberal discourses, this attempt failed because, in the Russian context, it was hard to package market liberalization as a re-assertion of Russian national identity. As such, a new form of checkmate – an ideational one – was placed on top of the political one.

Putin's governments of the 2000s attempted to end this state of affairs in two ways. On the one hand, they reasserted state power and curbed the political power of the oligarchs by integrating security and military elites in the government apparatus. This raised the state's share of the economy by reasserting state control over strategic sectors such as energy and banking. But, on the other hand, and relative to Brazil and even China, Russia's rediscovery of the economic role of the state did not translate into significant efforts to curb rising inequalities, with the country's super-class even experiencing a renewed boom under Putin. In this latter period, Russia's commodity boom and its subsequent decoupling from IFI conditionality enabled Russian governments to treat the Washington Consensus less like a policy straitjacket and more like a malleable set of policy constraints within which radical policy experimentation became possible.

CASES, COMPARISONS AND THEORETICAL EXTENSIONS

All four case studies share a theoretical perspective that seeks to specify the political conditions under which ideas play a critical role in institutional change. Ban introduces to political economy a perspective on institutional change rooted in the sociology of translation that enables back-to-back comparisons between institutional originators and domestic localizations via distinctive sets of institutional complementarities. By putting hybridity on par with paradigms, this approach contributes to emerging debates in political economy that challenge paradigm-centric analyses (see also Carstensen, 2011).

Ferchen and Mukherji put ideas at the core of their analysis, but approach them from different perspectives. Mukherji employs a brand of bridge-building constructivism that parses out points of difference and overlap between idea-based and interest-based accounts of institutional change. This approach is now common in research on economic ideas, but Mukherji makes an important analytical innovation by emphasizing the understudied gradualism of ideational change and the role of tipping points, rather than critical junctures. While constructivists tend to look at new economic ideas as playing a central role in moments of crisis (punctuated equilibrium), Mukherji shows that in order for new economic ideas to move the building blocks of policy in moments of crisis, they should have already reached a tipping point in their lengthy journey through the corridors of power. Should this not be the case, institutional change is unlikely.

While Mukherji tries to refine our understanding of the causal role of ideas in the timing of new policy paradigms, Ferchen invites us to focus instead on the politics of ideas as weapons in domestic struggles over who has authority and legitimacy. He proposes a framework that gives pride of place to domestic contention over Washington Consensus ideas. Ferchen sees this as part of a critical elite-level competition to shape the political economy of China, thus opening up a new avenue of research for political economists who study ideas: the politics of legitimacy via model comparison and adoption.

Marion Fourcade's essay concludes the special issue by examining both the material and the symbolic constitution of the BRICs. Summing up the findings from the empirical studies of the special issue, she stresses that in the BRICs, a territory where the IMF has not intervened of late, the Consensus has become 'more invisible than irrelevant', in the sense that its contents have been adapted to local conditions by policy elites. She complements this analysis of the material construction of the BRICs with a more symbolic reading. Fourcade suggests that the term, BRICs, became a financial and policy asset in and of itself thanks to the outsider status of

Brazil-Russia-India-China relative to the dominant discursive and political fields. In addition to the positive markers assigned to them by the financial industry, the media and the BRICs' leaders themselves, what united these countries was their exclusion from the dominant ideologies and institutional infrastructures of the world economy. This is important, Fourcade also notes, because the simultaneous moral and economic upgrade of the BRICs following Goldman Sachs' sustained marketing campaign coincided with the stigmatization of Southern Europe (as the PIGS countries). This symbolic flip, Fourcade suggests, highlights the role of morality plays in the economy, the centrality of markets' symbolic power and the financial markets' insatiable appetite for new sources of profit.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

The BRICs' reassertion of the role of the state in development is one of the most consequential events of the global economy. This special issue is an early attempt to understand some of its internal dynamics by connecting the BRICs models of capitalism to specific ideational debates. To do so, the contributors show how ideas shape policy outcomes after having been filtered by political and economic processes situated at both the domestic and the international levels of analysis. In the unfolding drama, domestic interest groups, policy intellectuals and other interested agents compete over different societal projects using international ideas that complicate the simple core–periphery model of the diffusion of economic ideas and institutions. The result is not the simple reproduction of what Western policy innovators say or certify. Instead, one encounters hybrids and even mistranslations that follow from domestic political struggles facilitated by the ever-widening policy space created by the growing weight of the BRICs in the global economy.

Yet, this reassertion and resuscitation of the state that we find in the BRICs was neither predetermined nor widely shared. Indeed, it may constitute the (partial) exception, rather than the rule. Some countries reduced the economic role of the state to the supply of institutional and material resources demanded by foreign direct investment. In Eastern Europe, for example, the result was the transformation of autonomous local economies into dependent internationalized economies that constitute little more than assembly platforms for the semi-standardized goods of multinational corporations (Nölkeand Vliegenthart, 2009; Ban, 2013). Others went even further. For example, the Baltic countries joined the global economy by eviscerating most of the state's economic functions (Bohle and Greskovits, 2012). In other contexts, the state was rediscovered in a different way. Brazil's liberal brand of neo-developmentalism is arguably much closer to the reformist versions of the Washington Consensus than are the economic models of Venezuela or Argentina (Wylde, 2011, 2012; Riggirozzi, 2010; Bresser-Preira, 2012; Balestro, 2013), while being much further from it than Mexico's (Theret and Bizberg, 2012; Gallagher and Shaffedin, 2010). In other words, the BRICs could have been more different than the difference that they already exhibit. This special issue is an attempt to tell us why these political economies look the way they do.

Further research is needed to explain on a more systematic basis the diffusion of the Washington Consensus in the BRICs. Crucially, more work is needed to explain how the dynamic of their autonomy, relative to the coercive apparatus of the IFIs, has enabled more state-led development interventions than would have been the case otherwise. This means more research on how the BRICs were exposed to the IFIs acting, not as coercive political forces, but in their capacity as platforms for normative debate (Hurrell, 2003; Park and Vetterlein, 2010; Weaver, 2010), agents of elite socialization (Finnemore and Barnett, 2004; Momani, 2006; Chwieroth, 2009) or norm innovators (Acharya, 2012). Looking at the relationship between the BRICs and the IFIs using this constructivist conceptual apparatus may open up a new research agenda on how the BRICs elites negotiated their understandings of the Consensus with the very managers of this policy paradigm. In this regard, the space for experimenting with more heterodox ideas about development was perhaps significantly larger. This research agenda becomes even more pressing as the BRICs' profile in IFIs is increasing following the on-going process of quota revision or the heightened profile of BRICs representatives at the highest levels of the IFIs.

Finally, more research is needed on the role of mass publics in the BRICs' engagement with Consensus orthodoxy. This scope of this special issue is constrained by an elite bias that future scholarship needs to temper. This is especially the case for contexts such as the BRICs because they have more domestic autonomy in addressing the Polanyian tension between the push towards the self-regulation of the market mechanism suggested by the underlying ideology of the Consensus and the protective arrangements against its externalities that mass publics can be expected to demand. This may entail more comparative work on a wide range of issues, from the politics of mass political movements and the politics of financial market actors to the dynamics of everyday political economy (Hobson and Seabrooke, 2007).

NOTES

1 Interestingly, the BRICs group is a lot less institutionalized and less coherent than IBSA, a platform for intergovernmental cooperation between India, Brazil and South Africa. While the BRICs is a more heterogenous group, the IBSA are all developing economies, with democratic regimes, net debtor positions, current account deficits, floating exchange rates and no permanent seats in the

UN Security Council. Despite this, the IBSA have remained in the shadows of public and scholarly attention, while the BRICs have gained the limelight (Emerson, 2012).

2 Since 2011, the BRICs have had several annual summits and even announced they might establish a multilateral bank. So far, beyond a number of aspirational statements, attempts at further institutionalization have been delayed.

3 For Zaki Laïdi (2012), for example, the BRICs do not seem to be willing to converge with the liberal internationalism of the G7 as they remain wedded to a realist view of national sovereignty and international institutions. Zooming into this issue, Hooijmaaijers and Keukeleire (2012) have explored the voting cohesion of the BRICs in the UN General Assembly committees.

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