

REJOINDER

Dalibor Roháč*

I am delighted that President Klaus read my article on post-communist transitions and found it worth a thoughtful reply, for which I am very grateful. I have read President Klaus's response carefully; yet I have not detected signs of substantive disagreement. Instead, our possible differences seem to lie in the way we have decided to label different intellectual approaches towards policymaking in transitional environments and in the relevance of such labels in describing actual policy dilemmas in the early 1990s.

President Klaus is correct to point out that for practical purposes the term 'Washington Consensus', coined in 1989 by John Williamson (2004, p. 1), was not used in the early months of 1990. However, in using the term I am not trying to make a historical claim about the usage of a particular expression at a particular point in time. Neither am I trying to suggest, through the use of the term, that policymaking in Central and Eastern Europe was somehow dependent on advice coming from Washington. I am using the term simply as a short cut for the reform strategy consisting of restrained fiscal and monetary policies, wholesale price and foreign trade liberalisation, economic deregulation, removing of subsidies, and mass privatisation – policies that President Klaus embraces as his own. Similarly, I was not privy to the policy discussions of the era. Hence, in my work in this area, I have accepted the semantic distinction between 'shock therapy' and the more gradualist approaches as given.

I was initially surprised by President Klaus's claim that 'neither of the two options – shock therapy and gradualism – existed or exists in reality'. After all, policymakers in transitional economies did face a menu of options, ranging from a gradualist 'non-transition' to the wholesale reforms that were adopted in Poland or Czechoslovakia – regardless of how we decide to label those options. However, I now tend to agree with President Klaus inasmuch as he is making the point that gradualism was a flawed approach towards transition, as President Klaus himself explained in his 1997 Hayek Lecture:

There were, of course, attempts to argue that a more gradual approach would have been less costly but we were – and are – convinced that so-called gradualism would have produced new dangerous distortions. Not less important was the fact that the markets both at home and abroad were not 'gradualistically' waiting for such experiments and that something like a sophisticated gradualism could not have been realised in a complex, pluralistic, democratic, open society. (Klaus 1997, p. 45)

I completely share President Klaus's assessment of gradualism in terms of its feasibility, its political appeal, its effectiveness in bringing about a free economy, and other characteristics. It is true that 'no sophisticated sequencing, or gradualism of economic reform measures, was possible'. Gradualism was self-defeating as a transition strategy – it was indeed 'a non-transition'. The contribution that I hope my earlier essay made was in explaining

*Email: dalibor.rohac@kcl.ac.uk

the reasons for its intellectual failure and in explaining that the only feasible transitional strategy involves far-reaching and irreversible liberalisation, privatisation and macroeconomic restraint – a policy package which is called by many, for good or ill, ‘shock therapy’.

It is my suspicion that what lies at the heart of our discussion is President Klaus’s well-founded aversion to some of the terms that are used in the literature on transitions and economic reforms – namely, ‘gradualism’, ‘shock therapy’ or ‘Washington Consensus’ – which tend to come with heavy ideological baggage and conceptual fuzziness. While my original essay did employ those terms, I would be as much in favour of discarding them as President Klaus is.

References

- Klaus, V. (1997) ‘The Transformation of Czech Society: Retrospect and Prospect’, *Economic Affairs* 17(4), 44–7.
- Williamson, J. (2004) ‘A Short History of the Washington Consensus’. Paper commissioned by Fundación CIDOB for a conference ‘From the Washington Consensus Towards a New Global Governance’. Barcelona, 24–25 September. Available at <http://www.iie.com/publications/papers/williamson0904-2.pdf> (accessed 11 July 2013).