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Dialogue and Development

The spread of democracy around the world is one of the major positive changes in the global landscape of the past two decades. Democracy is, of course, more than periodic elections. It entails meaningful participation in decision making, and no aspect of decision making is of more concern to those living in the developing world are those that affect economic livelihoods. And an important aspect of democratic participation is dialogue. I’m going to be talking about the role of dialogue in general, as well as the role of third parties in dialogue. The Carter Center has been involved in these matters in international development as has my organization at Columbia University, the Institute for Policy Dialogue.

I was motivated to initiate IPD by my experiences at the World Bank, described in my book, *Globalization and Its Discontents*. In many ways, the experience I had at the World Bank was wonderful. It was exciting and I see many of my friends here like Jim Adams whom I worked with and visited Tanzania with—he was Country Director at the time. But as I left the World Bank, there were many questions in my mind. During his tenure from 1995-2005, Jim Wolfensohn made enormous efforts to open up dialogue with developing countries. He talked about the Comprehensive Development Framework, or CDF, an approach to development which emphasizes the interdependence of all elements of development, including social and financial. He recognized that a single magic bullet did not exist. In the past, the magic bullet has been more capital, more markets, and more this and more that. Wolfensohn recognized that part of the problem was this search for a magic bullet, and that one needed to take a more holistic approach. The concept is clearly right, yet I don’t think one can rely on international institutions for the formulation of development strategies. There is a role for outside parties (that is, outside the country), but the extent to which international financial institutions can play that role is limited, and there is a need for other outside parties to be involved in the discussions. I will explain why.

Limitations on the International Financial Institutions

First, the World Bank and IMF are enjoined by their charters from engaging in politics. Their mission is economics. Some of you may gasp when you hear me say that. You ask, “Well, aren’t they involved in politics all the time?” The answer is “Yes.” But they
define what they do as economics. Let me give you an example. Before I arrived at the World Bank, Jim Wolfensohn had raised the question of corruption as an impediment to development. At the time, many people at the World Bank said that he had gone beyond his mandate; corruption is a political issue not an economic issue. And it was only when our research department was able to show that corruption had an effect on growth that it then became acceptable to talk about corruption. Obviously, everyone knew it was an important topic, but the artificiality of the constraints stopped it, and across the street at the IMF many people remained reluctant to talk about corruption.

I offer another example that illustrates problems of politics at the World Bank. There was a change in government in South Korea on the first anniversary of the election of Kim Dae-jung as President. He decided to have a conference on democracy and development and I was slated to give the keynote speech. The speech had to be vetted, as occurs in these kinds of bureaucracies. I was told that I could not give that speech because we were not allowed to talk about democracy at the World Bank. That policy is beginning now to change, but at the time we couldn’t talk about it. So I had to do a search and replace in my word processor and insert the word “participation” every time I used the word “democracy.” We got around the restriction. The audience understood what I meant, but the rules of the game, which were that I could not give a speech on democracy, were satisfied.

Their charter says they’re not supposed to be political, but of course nearly every issue they deal with is highly political. Thus, what proscribes the international financial institutions from playing the constructive role in dialogue that one might have hoped is not just their charter. It is politics—the economic and political agenda that these institutions are advancing, which often lies beneath the surface, and which they have an interest in keeping that way.

The US has just gone through a highly political debate on the privatization of social security. It appears the right side has prevailed, and social security will not be privatized. But around the world developing countries are told by one or the other of the IFIs that good economics requires the privatization of social security. The consequences in many countries have been disastrous. Many of you may know about the Argentine economic crisis in 2001. Everybody attributed a large part of the blame for the crisis on the country’s huge deficit. Had it not privatized social security, its deficit would have been close to zero. Almost the entire deficit was caused by privatization of social security. In the US, a dialogue occurred which indicated that even partial privatization of social security would lead over the next 20 years to a six trillion dollar debt. That’s a lot of money, even for a rich country. This dialogue was one of the factors that led people to say “Maybe this is not such a good idea.” Unfortunately, Argentina didn’t have that dialogue. Its leaders were told good economics says you have to privatize social security. Argentina’s citizens paid an enormous price for that mistake.

The point I want to make is that there are areas of enormous importance to developing countries that the IMF and the World Bank cannot talk about or won’t talk about. And the unfortunate thing is that the other institutions like the UNDP have also become less
likely to speak openly. They are dependent on governments for their funds, and are sensitive to political pressures. It is absolutely imperative in my mind that there be a dialogue on these topics, and that leaders hear differing views of possible consequences of policy decisions—including views that may not be liked by some of the powers-that-be in the advanced industrial countries. Without independent third parties participating in these dialogues, there can’t be that kind of discussion.

The value of dialogue

I was in Venice for a meeting with a group of Nobel Prize winners on the value of dialogue. One of the people there was Gary Becker, an economist with whom I often disagree. We’ve always had very good dialogue, very good discussions, where the dialogues have helped bring out the areas and reasons we agree or disagree. He made a remark, “I don’t understand why we’re having this discussion. Who could argue against having a dialogue?” Well, unfortunately, there are subjects that are taboo to discuss at the international development organizations. The result is important decisions are made, sometimes in secret, often without the benefit of dialogue. These decisions often have negative results.

When I was at the World Bank, it was both an alarming and exciting time because the financial crises of ’97, ’98, ’99, 2000 occurred during my tenure. Crises kept coming and the rescue policies that the IMF designed to deal with them kept failing. A couple of questions were very much at the core: What is the correct response? Should interest rates be raised to the very high levels that the IMF was recommending? Will that step stabilize the exchange rate? Should expenditures be cut? Every undergraduate and graduate economics course teaches that in a recession governments undertake three steps: cut taxes, raise expenditures, and lower interest rates to stimulate the economy. During the crises of ’97-00, the IMF was doing exactly the opposite.

I wanted to have a dialogue, a discussion about the consequences of these policies. Will the suggested policies help or hurt? But to adequately answer that question, I wanted to discuss a prior question: What was causing the crises? One of the factors that I and many people at the World Bank thought formed the basis of the crises was excessively rapid liberalization of capital markets. This frequently occurred before the countries’ institutions were prepared for it. Again I thought there should be a dialogue about the pace and desirability of capital market liberalization. Would it lead to growth or instability?

Research at the World Bank had shown that rapid capital market liberalization would probably increase instability but not growth. Therefore, I and my colleagues suggested there be a dialogue. IMF officials said no, they did not want to have any dialogue. If a dialogue were to take place, they added, it had to meet two conditions: the conversations must occur in private, and attendees couldn’t talk about the contents of the dialogue, ever. As somebody who had been inculcated in democratic traditions, I found this very difficult to accept.
I thought that if there was an open discussion, the weight of opinion would be on the side of stimulating the economy, cautiously raising interest rates and taxes, and cutting expenditures. I thought even if an open dialogue did not come down on my side, at least we would have had a democratic and open process. But that was not to be. A dialogue on these issues never happened. And the policies failed miserably. The failures in part happened because the policies weren’t thought out as completely as they would’ve been had there been an open dialogue.

The preceding examples helped motivate me, when I left the World Bank, to say that there ought to be more discussion about economic policies, more alternative policies on the table, and more people at the table. It’s important to expand both the substance of what is talked about—alternatives of economic policy—and the number of voices included.

More Voices at the Table

I want to spend a moment talking about the importance of including different voices in policy recommendations. Before I came to the World Bank, I spent four years in the first Clinton administration. One of the wonderful things about the Clinton administration is that we talked a lot—people sometimes say we talked too much—and one thing that was evident from our conversations was that there are very different perspectives on the world. The Secretary of the Treasury looked at the world very differently from the Secretaries of Education, Health and Welfare, and from the Head of the EPA (the Environmental Protection Agency). Their interests, their constituencies, and the way they had lived their whole lives contributed to these differences in perspectives. If you worked your whole life on Wall Street, you would see the world differently from the way you would if you lived your whole life in academia. My experience in academia shaped me -- it forged strong feelings about open dialogue and research. People from financial markets, meanwhile, feel a lot more strongly about secrecy. Knowledge is money, and is therefore shared only for a price if shared at all. It is not surprising that very different perspectives can coexist in international development circles. It is important as countries debate among themselves development strategies, they have a sound understanding of these different perspectives.

Even in areas of finance, policy decisions would never be left solely to the Secretary of the Treasury. Even if policy makers had enormous confidence in his abilities, other views should be introduced. For instance, in Clinton’s second term, Treasury did not think that global warming was an important problem and opposed the Kyoto protocol. They worried about the impact on the economy. (The truth may have been that they were more worried about the economic impact on the automobile and oil industries.) This opinion had many critics, including me. The Kyoto protocol is an issue of global environmental importance as well as economic importance. The President recognized the environmental importance of the Kyoto protocol and ultimately decided against the Treasury. Another issue discussed in Clinton’s second term was whether to invest a limited amount of the social security trust fund in stocks. Treasury opposed the idea. The Administration thought there would be higher returns, and that rather than going to
the extremes of privatization this would be a way of dealing with some of the seeming financial shortfalls that the Social Security Trust fund faced. The President thought this reasonable thing and sided against Treasury. I can think of many more examples--regarding taxes or intellectual property--where the Treasury’s view differed from other agencies. But all the examples boil down to one idea: economic decisions affect numerous aspects of society. Therefore, a President should hear a range of policy voices and not delegate to the Secretary of the Treasury.

I sometimes say that the IMF’s governance represents a wide range of views—all the way from the perspectives of a central bank governor to that of a minister of finance. There may be some diversity of views within the world of finance, but that is relatively small compared to that within the wider world. The culture and mission of the World Bank encourages views from finance ministers and aid agencies. The aid agencies tend to be more liberal and the finance ministers tend to be more conservative. This is true whether you have a Republican or a Democratic administration. I think the World Bank has benefited enormously from the fact that a wider diversity of views exists in the governance of the World Bank (than exists, say, at the IMF.)

This issue of diverse views arises not only in areas that touch upon finance, monetary, and fiscal policies. It comes up in every policy area, and arises all the time in trade.

One of the big issues discussed at the World Trade Organization development round in Hong Kong has been intellectual property. The intellectual property provisions of the Uruguay Rounds, also known as the Trade-Related Aspects of Intellectual Property Rights or TRIPS, was not a balanced intellectual property regime. Because of this imbalance, life-saving medicines for diseases such as AIDS, have been made less available, and thousands of people will die as a result. To put it overly graphically but probably accurately, when that agreement was signed in Marrakesh in April of 1995, they were signing the death warrants for thousands of people in sub-Saharan Africa.

Interestingly, both the Council of Economic Advisors, of which I was a member, and the Office of Science and Technology Policy opposed TRIPS. We thought the intellectual property provision was unbalanced, that it was bad for American and world science. We thought it was bad for developing countries because of this problem of access to medicines. But we weren’t in Geneva in the secret negotiations that decided the trade agreement. We were in Washington. While we expressed our views to the U.S. Trade Representative, I think he heard them but he certainly didn’t listen. So the final agreement reflected the interests of the US pharmaceutical and entertainment industries.

The negative impact of TRIPS—the problems that only became clear years later—emphasizes why it is important to get different voices at the table. Unfortunately, we did not feel at the time that we could openly criticize the US government’s position because we were in the government. This was a hard decision, I recall, but we had hoped NGOs would vocalize their dissent on the issue. Unfortunately, they didn’t, or didn’t speak loudly enough. If they had spoken, if there had been other parties out there pointing out these consequences, perhaps something would’ve been done about it.
Democracy and dialogue

So far I’ve tried to argue three points. First, dialogue is important. It enhances the likelihood that good decisions get made; second, countries cannot rely on international institutions alone for policy dialogue and framework; and third it makes a great deal of difference who is at the table and what issues are on the table. I want to spend a few minutes talking about why these matters are important not just for economics but also for democracy. I think that development strategies that are decided without the benefit of open dialogue are less likely to be successful.

Democracy ought, however, to be viewed as an end in itself and not just as the means to a stronger economy. Open dialogue is essential for successful democracy, and that’s one of the reasons why I think it’s so important for The Carter Center to be engaged in these kinds of issues. We all understand that democracy is not defined simply by periodic elections. It is obviously an important part, but there’s more to democracy than just going to the polls every four years. Deliberative processes are a critical component of participatory democracy. At the very least, citizens of countries need to be involved in the decisions that affect their lives, to talk about the impact of economic decisions that affect them and future generations perhaps more than any other decisions that are made.

One example of the current debate about democratic institutions is the institution of the independent central bank. It’s a contentious issue, and it ought to be debated more precisely because of that. We tell countries they ought to be democracies and to be responsible for their own destinies, but as soon as we tell them that, the next thing we say is, “By the way, the thing that is most important, your macroeconomic performance, is too important to leave to democracy. We’re going to take that and put it in a central bank that is going to be run by some technocrats.” That’s not a persuasive or consistent message. It may be that in the end, a democracy can’t be trusted to make decisions - that’s a question of debate. I don’t think so. If you don’t trust democracies with making decisions about interest rates, maybe you shouldn’t trust them with making decisions about taxes. Should we have an independent set of bureaucrats making decisions about tax structure? We’ve certainly have had some peculiar political decisions made in the United States about tax structures recently. I don’t like those recent decisions. But those are part of the political process. But I also think interest rates ought to be part of the political process.

There are institutional frameworks that partially include interest rates in the political process. The UK has a framework in which the government sets the inflation target, looks at the situation of the economy, what the employment rate is, if the employment rate is too high, and decides to increase or decrease inflation in a given year. So the inflation rate is a political decision, and the implementation is a technical decision. The UK has distinguished between a technocratic decision of how to operate monetary policy and a political decision of the macroeconomic direction of the economy, how to balance trade-offs between inflation and unemployment. That seems to me a reasonable framework. But even if a country had an independent central bank, the bank would
ideally be accountable and representative. The decision makers would hopefully consider not just how interest rates affect Wall Street, but also how they affect workers, not just how interest rates affects bond prices, but also how they affect unemployment and real wages. And yet in the way we constitute our central banks in many countries, we don’t try to get representation. Central banks are dominated by financial markets. A few countries have said that Wall Street and financial markets are special interests and we cannot allow them to dictate monetary policy. Those countries have looked for impartial people to run monetary policy. I hesitate to recommend that plan because the only people who tend to be knowledgeable about this are academics -- that would be recommending my own special interests.

Nonetheless, the question of impartiality illustrates the point I want to make. There are alternatives out there, they ought to be discussed, and they have a profound effect on the nature of our democracies.

**Dialogue and national cohesion**

There is another reason that I think the role of dialogue is important to participatory democracy. A number of people have become increasingly concerned about the polarization of political thought in US society. There have been some interesting social psychology experiments in which people who tend to be on the left or right of the political spectrum are separated into groups to discuss an issue. The experiments found that those on the left or the right tend to polarize their views when surrounded by like-minded people. Consequently, the two poles move further apart. On the other hand, the experiments found, if people are placed in a mixed discussion group, their views are propelled towards the center. So in a participatory democracy, dialogue has the social dynamic of bringing people together, and, if not reaching consensus, then at least reaching broader understanding and making society less divisive. One of the concerns about what has happened in the US is that the left and right are not talking to each other and, hence, our society becomes more and more polarized.

**Dialogue and asymmetries of information**

This kind of dialogue and discussion is more likely to lead to better economic performance. There are several reasons for this. One is a simple observation about information. People in Zimbabwe, for instance, know more about the country than people outside. This is true, no matter how long outside observers are there, and certainly true if they are there for only a brief period. If you live in a village, you know more about people’s daily patterns and therefore know where to locate the water well. Someone who does not live there is unlikely to know where to locate the well. Outsiders may not even know how important the well is to the people in the village. So dialogue has the important function to reduce the asymmetries of information, allowing people to understand the consequences of the very complex policy choices developing countries face.
I want to emphasize that some international development processes in the past have not involved this kind of open dialogue. Instead, the IMF or the World Bank grants financial aid based on a developing country’s ability to meet conditions. These organizations would come into a country and demand leaders meet conditions within 30, 60 or 90 days. For instance, the IMF or World Bank may insist that a developing country pass a bill through parliament. The IFIs basically say if the bill does not pass parliament, then the country won’t get aid. We can say countries like this have a choice. They can either put their economy at risk or they can do what the IFIs want. They feel the gun at their head. Technically, they have a choice, but if you’re desperately poor, the IFIs’ demands may feel like an ultimatum, not a choice. I think conditionality as it has often been implemented in the past undermines democracy. It can have the effect of politically undermining elected officials who appear as if they are carrying out the wishes of international institutions rather than responding to the wishes of their own people. Even if they are the right conditions—although often the problem is that they’re not the right conditions—the fact that they come from outsiders has an enervating effect on democracy.

Dialogue and ownership

The importance of ownership cannot be overemphasized. It is not just the acquisition of better information that is at stake, but also how people respond to development projects Behavior is altered. Recently, economics has shifted to investigating behavioral models that take into account psychological phenomena, such as “ownership.” It has a value on its own right; but it also means that it’s more likely the project will be successful.

In short, participation and dialogue is important both for successful development and for strengthening democracy

These are some of the reasons why I think dialogue, participation and discussion are so important for sustaining democracy in developing countries.

Sharing knowledge

What we know from the last fifty years of development is that development is possible. There’ve been some enormously successful cases—countries whose incomes have grown eight-fold in thirty years. But we also know development is not inevitable. There has been a lot of failure. The question is to interpret the evidence of the successes and failures. If the interpretation of that evidence were simple, we could look at the cases of East Asia, distill say five recipes of success from them, and apply them to African countries. But extracting universal lessons from success cases and adapting them to countries that have not yet been successful is extremely difficult. There are so many factors, and they vary greatly from country to country.

Successful policies are very contingent on circumstances and that it is only through the exchange of information that we are able to extract the contingencies that are the relevant ones for a particular country.
Having dialogue is important both to provide better information, knowledge, but also as an important check against the role of ideology in development, which has been a real source of problems.

Example: Marketing boards

Let me give you an example that is relevant to many African countries. Many of them had marketing boards—government boards that bought agricultural commodities—and the boards tended to be both inefficient and corrupt. As a result, the prices that farmers were getting for their crops were much lower than they should have been. The natural response from the IFIs was, “Let’s get rid of those and privatize marketing.” But if the IFIs had talked to the people in the countries, they would have said, “But there are some problems here. If we get rid of them, maybe the private market won’t be able to operate, maybe a local mafia will take over the market.” We have found that different countries had very different responses to the elimination of the marketing boards. In some countries, things worked as hoped, but in others there was a shift from an inefficient, corrupt government to an even worse situation, in some cases a mafia-controlled distribution channel for farmers’ goods. People were even worse off and the government wasn’t receiving any of the money. In other cases, competitive markets did not develop and so the distribution channel was dominated by a local monopoly—and again the farmers were not better off. The bottom line was that if IFIs had initiated a dialogue, risks such as the ones I mentioned would have been recognized and strategies would have been able to adapt appropriately.

The role of outsiders

I want to conclude by spending a few minutes on the role of outsiders, in particular impartial third party actors. Having talked so much about the importance of local knowledge and ownership, it obviously raises the question “What can somebody from the outside contribute?” This question makes those of us who are in the development business very uneasy. I believe we have a role. I wouldn’t be here if I didn’t believe that. The role is very limited but still very important.

The most important function of outsiders is to share knowledge. People in a particular country know the local knowledge. An institution like the World Bank has amassed a wealth of knowledge by operating in many countries around the world. They have interpretations of what has succeeded and what has failed, based partly on an enormous number of experiments. They are not controlled experiments, they are not perfect experiments -- so it’s often difficult to extract lessons -- but they still hold valuable information. It is important that that information be shared.

It’s also important that this information be shared by a party that is not viewed to have an interest; that does not have a particular agenda. The international financial institutions, because they reflect the interests of the G7 and financial markets, are inevitably viewed as reflecting a particular world view and representing, at least to some extent, those
interests. So it is important to have not only that view represented, but also to have other views represented.

The second important function of outsiders is to help open up the space for policy debate and lend legitimacy to alternative views. I hope I have already done that in giving you some illustrations during this talk. I would like to give you a few more examples where the role of dialogue in exploring alternatives, potentially with the help of third party actors, is highly relevant.

**Inflation and independent central banks**

If you’ve listened to the party line of some of the international institutions, you would have thought that everybody believes that an independent central bank run by financial markets with a sole responsibility in keeping inflation in check is the only way to run a central bank. Actually, in the United States, the Fed doesn’t just look just at inflation. We look at unemployment and growth as well as inflation. There is a role for an outsider, raising the question, “Is it the case that countries with independent central banks have grown substantially faster? Have they grown fast enough to give up the sense of democracy that you give up when you turn over your control?” The answer, I think, is “No.”

There are other issues that have come up in the discussion in that last two days that illustrate where outsiders can lend legitimacy to other views. For instance, we just talked about inflation. Obviously, high inflation is an economic problem, and it can be a very difficult political problem. But the evidence is that inflation when it’s moderate or low has no significant effect on economic growth. Hundreds of economists have data-mined for more than fifteen years and have been unable to show that inflation has a significant effect on economic growth at the levels of inflation that we have been experiencing. So, if inflation goes from 2%-4%, does it make any difference? Almost surely not. If it even went up to 6%, it would not have any difference. In fact, George Akerlof, who shared the Nobel Prize with me, has argued very strongly and persuasively that the real risk is getting inflation too low. If inflation gets below some number like 2%, it starts having a negative effect. We know that deflation has very negative effects, worse than moderate inflation. And in a world of high volatility, if you get near 1% inflation, you have a risk of going down to deflation. So, clearly there is a respectable view that when inflation gets at a moderate level, you don’t need to worry about it. You do need to worry about it if it gets too low.

**Accounting frameworks**

Another issue that has come up a number of times is accounting or budgetary frameworks. Should foreign aid be included in a budget that assesses the budgetary stance of a country? In my book *Globalization and its Discontents*, I tell a story about Ethiopia. During my first trip as Chief Economist of the World Bank, Ethiopia was facing a tremendously difficult situation. Ethiopia’s leaders had been given foreign aid. They were told, though, that they could not spend it because it would cause a deficit.
said, “I don’t understand. People are giving you foreign aid so that you can spend it. If you don’t spend it, it will just add in reserves, and I don’t think any of the donors believe that they want their money just to go to build up reserves.” At the time the response of the IMF as to why they were demanding that Ethiopia not include foreign aid in their budget was that one can’t rely on foreign aid because it’s too unstable. When we went back to Washington, we did an econometrics study. It showed that tax revenue is also very unstable, so if you use that logic, the Ethiopian government shouldn’t rely on tax revenue either. Subtract foreign aid and tax revenue, and every government has trouble. The logic of it just wasn’t there. Of course countries have to worry about inflation. The real question is: What is the right way of looking at the budget? What is the right accounting framework? The problem in Ethiopia was that the accounting framework that was being imposed was not the right accounting framework.

The importance of credit availability

I want now to turn to an issue where traditional development discussions, by the IMF for instance, has put too little attention. As they worry about inflation too much, they worry about credit availability too little. Any dialogue within a country, and especially a dialogue involving the business community, would have brought this out.

Availability of credit is essential for developing countries. It is absolutely essential for the success of the private sector. Poor people in a poor economy can’t start a business without credit. Or if they can, it takes them years and years longer than they otherwise could. So it’s important to figure out how to get credit to all kinds of people in society: microcredit to very small farmers, small- and medium-sized credit to small- and medium-sized businesses, larger credit to larger enterprises. And providing credit needs a comprehensive framework. Credit is really a problem of information: figuring out who is going to repay you and monitoring the loans to make sure you get repaid. A lot of my research has been on that topic.

The private sector in developing countries needs to be encouraged to give more loans in a whole variety of areas that are underserved. We do that in the United States. We have a very important bill called the Community Reinvestment Act that requires banks to lend a certain fraction of their portfolio to underserved communities. Developing countries should do the same. In India, they have a very important and successful regulation, requiring banks that open branches in Delhi or Mumbai to also open branches in underserved parts of the country. The regulation strives to make credit available throughout the country. So government regulation can be used as leverage to get the private sector involved. In the United States, the private sector has not provided adequate small- and medium-sized loans to small businesses. That’s why the Small Business Administration exists. The SBA provides credit and credit guarantees. Some of the US’ leading businesses started as small businesses with a small business administration loan. Federal Express started with an SBA loan. In several countries around the world, there have been very successful development banks: the Andean Bank, Cathay, BNDS in Brazil. In these cases, governments have used credit to stimulate important sectors with enormous success. To be sure, there have been some failures, but what’s remarkable
among the successes is that most have had either a development bank or heavy
government involvement in the provision of credit in one way or another. There are
risks, but there are risks in anything -- but these risks can be managed and have been
managed. The risk is not undertaking these kinds of policies. Countries that have not
done so have not grown.

Not only would more open dialogue involving people within the developing countries
have brought out the importance of credit availability, more dialogue with outsiders, on
the experience of the successful countries, would have provided a sharing of the
successful experiences of how credit can be made available. These discussions
themselves would have provided a check on the ideological presumption that government
should not be involved in the provision of credit.

I hope these examples illustrate my argument: the value of these dialogues, and of third
parties, in highlighting new issues, in opening up the scope for a wider range of ideas in a
policy discussion. There is not one way, there is not a single solution. One size fits all
policies do not work. The world is more complicated than that. We cannot allow
technocrats by themselves to set economic policy. To put it into economic jargon, there’s
not a single Pareto dominant policy, there are trade-offs, and there are limitations in our
knowledge. And that is why it is absolutely imperative not only that there be dialogue,
but that it’s important to bring in outsiders so that the space of the dialogue is increased,
so that alternatives can be discussed.

**Dialogues have made a difference**

In conclusion, sometimes I’m asked, “Has this process of dialogue worked? Has it made
a difference?” Of course, if you believe in democracy, the process is a value in itself.
But I actually think the process of dialogue has not only has opened up the debate and
been successful in the process, but it’s also been successful in the results. Some of the
dialogues we at the Initiative for Policy Dialogue have had have successfully opened up
the discourse in a much broader and sustained way. The dialogue we held in Colombia,
for instance, helped change the economic debate in that country. The dialogue was
catalytic; after we left, the discussions continued, and in a way that the dialogue had
helped shape. We also had a very interesting dialogue in Nigeria. A number of concrete
actions were taken as a result of these discussions. Policies were changed in some cases;
in others, new options were put on the table. The full effects may not be felt right away
but will be realized eventually.

Let me just give you a couple of examples. One of the things that we emphasized was
that even if there is successful development, the agricultural sector will be a dominant
part of the economy for a very long time. Therefore any development strategy—
especially any development strategy that was to make significant inroads in reducing
poverty-- had to have an important agricultural component. The result of that is the
government decided to allocate more resources to agriculture. The dialogue also had
effects in promoting transparency, including giving currency to the idea of a freedom of
information act, in altering some of the discourse on privatization, and on the setting of
monetary policy.
The role of the Carter Center

I conclude by thanking the Carter Center for this opportunity to dialogue with you. I congratulate you on your work. I think the Global Development Initiative’s role as a third party to stimulate dialogue in developing countries, bringing new stakeholders into the discussion and expanding the scope of discussions, has played a crucial catalytic role. The countries that have been fortunate enough to have its involvement have benefited enormously, and it has provided a set of examples for others to follow. I hope you will continue this very important work. Thank you.