On "Neoliberalism: Oversold?"[*]

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Ostry, Loungani, and Furceri's "Neoliberalism: Oversold?" article in the June 2016 issue of the IMF's *Finance & Development* attracted much attention in the media. Shortly after reading the article, I posted the following tweet on it:

The tweet was quoted in Shawn Donnan's *Financial Times* article on the Ostry et al. piece.[1] That prompted me to post the following thoughts to explain the reasons for my tweet.

The tweet was motivated by two problems I see in the article (and in the way it was picked up by the twitter-sphere—and, subsequently, by other media):

(1) The title of the article opens the door to "blanket statements" (or interpretations) that go much beyond the two policies it actually focuses on (capital account liberalization and fiscal austerity).

(2) Even if Ostry et al. explicitly state that the article assesses only those two policies, they do not convey that message forcefully (and repeatedly) enough. The content of the article does not do justice to other, important parts of a considerably broader pro-market policy agenda on which

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[*] The views in this note are personal and do not reflect the views or policies of the CEPR, NBER, and the Central Bank Research Association.

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[1] "IMF economists put 'neoliberalism' under the spotlight," *Financial Times*, May 26, 2016.

the IMF itself has been producing very balanced analysis and nuanced policy advice. (See the analysis of structural reforms in the latest *World Economic Outlook* and the calls for a "three-pronged" approach to policy by Christine Lagarde.)

A result is that many out there—who do not read the FT or other well informed analysis—see that high-visibility title, read those tweets, (maybe) glance at the actual article, and feel justified in their conclusion that the whole pro-market agenda is rubbish (also because many identify the agenda with capital account liberalization and fiscal austerity to begin with). An exchange of tweets I had with a Bernie Sanders supporter in the morning of May 27 is a perfect example of this.

My view is that a more precise title and the reiteration of certain points that are in the article but end up overshadowed (also for lack of specific examples) would have better served the cause of the IMF's new approach to policy. The article would then have done a better job of conveying to the public that the gap between research that asks tough questions and the IMF's policy advice is becoming considerably narrower. The latest issue of the *World Economic Outlook*—to which I and my coauthors contributed by developing the underlying model of product and labor market reforms and obtaining its results—and the policy approach advocated by Christine Lagarde (and other policymakers) are clear examples.