

# The U.S.-India Economic Relationship in the 21st Century

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Remarks to the U.S.-India Business Council

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June 2, 2010

I want to do three things today:

- To try to put this moment in a very broad historical perspective.
- To try to think about this generation in India.
- And to try to reflect on what it means for the relationship between our two countries. Let me begin by asking, what will historians say about our era when they write its history 300 years from now?

Some suggest that they will see the end of the 50-year Cold War between capitalism and communism, between the United States and the Soviet Union.

That will surely be the major story.

Some suggest that the major story will be the relationships between a West, broadly defined, and the Islamic world, with all that that entails.

But I would suggest to you that in the long sweep of history, the biggest story from our era will be what has happened in the developing world and in the world's emerging markets.

Consider this: Economic historians have calculated that if you compare living standards in Athens at the time of Pericles and in London in 1800, they had changed, over those 2,200 years, growth was at far less than one-tenth of 1 percent per year.

They called it the Industrial Revolution because for the first time in all of human history, economic growth started at a rate where you could see the difference in living standards at the end of a human lifespan relative to the beginning of a human lifespan. And that difference might have been, during the Industrial Revolution, as much as 50 percent. Living standards one and a half times as high over a human lifespan that then measured 42 years.

If you look at the most rapid period of growth in U.S. history, around the turn of the twentieth century, living standards grew perhaps 2 or 2.5 percent. Life expectancy had gotten a bit longer. And perhaps living standards at the end of a human lifespan were four times what they had been at the beginning of a human lifespan.

If you look today at what is happening in India, what is happening in China, what is happening in a number of other emerging countries – nations that between them have 40 percent of the population of this planet – living standards are rising at a rate where they double within a long decade, within 10 or 15 years, where they increase between 30- and 100-fold in a single human lifespan.

In the economic history of the last millennium, this is an event that ranks only with the Renaissance and the Industrial Revolution and that I would suggest to you is far more important and that represents far more change for far more people, taking place far more rapidly.

It will change literally everything, from cultural patterns to the location of the major theaters of history to conceptions of human freedom to the ways in which nations interact and cooperate or compete.

How this potential plays out will be the story of our time.

Here's how that story may look from an Indian perspective just one generation from now.

India will look at a nation that has the world's largest labor force, that has by a wide margin one of its three largest economies, that has over a billion people in middle-class living standards, that can look back at a period in which tremendous economic energy was unleashed – first with the reforms of the 1990s and the first decade of the twentieth century that saw a profound opening-up of trade and investment to the rest of the world, that saw the beginning of movement from a presumption of prohibition to a presumption of permission.

And believe me, much has changed.

I remember my first trip to India 20 years ago, when the first thing I saw when I got to the airport was an orange juice stand that said, "Owned and Operated by the State of Rajasthan," and where I met an entrepreneur with a fantastic software idea who was unable to rent a car in the United States to market his software idea because he couldn't get a credit card or enough cash because of the then-present capital controls in India.

That unleashing of economic energy carried the Indian economy for two decades and for considerably more.

Looking back from 2040, the second thing people will see is that India was the first developing country to embrace on a major scale the knowledge economy.

- Whether it was world leadership in software that made Bangalore the hub of the world's software industry.
- Whether it was efforts to internationalize exchange in services, symbolized by a burgeoning export of medical services, as people came from all over the world for high-quality medical procedures.
- Whether it was the overdue recognition, but a recognition that I am confident will come within the next decade, that absolutely first-rate universities are at the center of absolutely first-rate prosperity and that a mixed public-private system in which a private sector flourishes in higher education, and this decade, the decade from 2010 to 2020, saw the emergence of India's John Harvards and Leland Stanfords and John D. Rockefellers who created institutions that at the end of this generation were starting to set the world pace in a growing number of disciplines.
- Whether it was the tremendous cooperation that began slowly in this first decade of the twenty-first century in clean, green technologies that led India to play the crucial innovative role when eventually, in 2030, costs of solar power and costs of coal achieved approximate parity, and the combination of being a center point of those technologies with the still relatively low wages that went with having the world's largest labor force that made India a power in a defining sector of the twenty-first century economy.
- Whether it was the remarkable progress that India was able to make by harnessing an expatriate community, that the sense of connection to the homeland that was second to none. By 2040, all of this was discussed, and people remembered the Washington Consensus and the Beijing Consensus as interesting historical ideas. But a majority of the world's people were following a Mumbai Consensus.

I'm not here to tell you that all of this is going to happen, that all of this will necessarily happen. But I am here to tell you that it or events like it are a very real possibility.

If you write or study the history of American foreign policy in the nineteenth century or the the twentieth century, there is surely a role for the U.S. relationship with India. But I think, in being honest, in neither the history of American foreign policy nor the history of India's international economic relations would our partnership be one of the most important elements in nineteenth- and twentieth-century foreign policy.

It is my confident expectation, and more importantly it is the confident expectation of the government of the United States, that that will be very different in the twenty-first century.

Two of the world's largest economies.

The world's two largest democracies.

Two large, independent, vibrant, democratic nations.

Nations committed to international cooperation in a shrinking world have every reason to affiliate and to partner closely.

The world that the United States wants to see, the world that India want to see, is a world of increasing integrations, is a world of increasing prosperity, is a world of tolerance, is a world at peace, is a world where prosperity comes from the bottom up, is a world where respect for individuals is a paramount value.

That is why I expect our partnership to be so crucial to the history of the next generation and to the next century.

That will be in part a matter of visits from heads of state, and the frequency of visits between heads of state has risen in the last decade.

It will be in part a matter of increasing connections between public officials of the kind that are now so frequently. It seems like I see my friend Montek Ahluwalia somewhere every two or three months. That would not once have been the case.

But it is even more profoundly – and it reflects what we in governments do – a matter of the connections of ordinary citizens.

The students who come from India to the United States and a much greater number of students from the United States who should go to India. One of the things I always said when I was president of Harvard was that many, many more of our students should be studying in India, given what the twenty-first century was going to be.

It is also a matter of commercial connection.

- Commercial connection because we are a large market for India, and India is a large market for us.
- Commercial connection because increasingly what is going to be important is less the flow of products or even the flow of capital, but the flow of ideas, and we are two nations who are major producers of ideas.
- Commercial connection because ultimately the flow of goods, the flow of ideas, the flow of prosperity depends upon a sense of comfort and trust, and that is only built through interaction. I believe I first spoke at one of the meetings of the U.S.-India Business Council only about halfway through your history in the early 1990s, and you have seen enormous progress. But I am

confident that the work of this organization and the connection between our two nations is going to be far closer and far more consequential over the next generation than ever before.

Thank you very much.