

NEW IDEAS IN DEVELOPMENT AFTER THE FINANCIAL CRISIS

WELCOME:

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FRANCIS FUKUYAMA: If everybody could take their seats we'll begin. In case you didn't get word, if anyone is a panelist today or tomorrow, if you could sit at one of the tables up at the front here.

All right, thank you. My name is Francis Fukuyama. I am the Bernard Schwartz Professor of International Political Economy here at Johns Hopkins SAIS, and I would like to welcome you on behalf of the Bernard Schwartz Forum on Constructive Capitalism and the Center for Global Development to this conference, "New Ideas in Development after the Financial Crisis."

It's been a great pleasure partnering with CGD and Nancy Birdsall in this endeavor. I am, in a moment, going to introduce Bernard Schwartz himself, who has made this entire conference possible, but I am really quite gratified at the turnout and the participants that have agreed to come to this meeting and to contribute to our work here today.

Unfortunately, there is one of those participants that, at the last minute, could not make it, unfortunately due to a last-minute scheduling problem. Mr. Larry Summers will not be able to participate as keynote speaker as expected today, but he apologizes very much for this. As you can expect, he's a little busy these days and these things happen.

In terms of the background of this conference, it seems to me that this is really the right time to think about new ideas in development. We've been obviously living through some rather remarkable times in the global economy. The period from 2002 to 2008 was one of the most remarkable in terms of global growth in which virtually every region of the world – Latin America, Sub-Saharan Africa, South Asia, East Asia were all growing at a very good clip, really since the – you have to go back to the 1960s to find a comparable period.

And it all seemed to make an extremely strong case for globalization, but then along came the crisis. And what was striking about the crisis was it was not caused by an exogenous shock like a Middle East war. It originated really in the heart of global capitalism in the United States itself, and I would say arguably it happened for reasons that were in some ways intrinsic to the American model of capitalism that had been practiced up until that point.

So it does seem to me it's an appropriate time for rethinking ideas in development. At very least it seems to me that the world that were living in where Asians produced and saved and Americans consumed and borrowed is probably not going to come back in that form any time soon.

Just in terms of an overview of the conference, you have the agenda and the different panels. We have asked the panelists all of course to think about the crisis itself and to analyze its causes and implications.

There may be some people who actually think that it doesn't have major implications for the way that we think about development, but even if that's the case, it does seem to me that it's worth reflecting on how other people, and especially other people outside of the United States, are going to react to the developments that have taken place because obviously American ideas

in many respects have been the dominant ones over the past generation, and there is going to be a very vigorous global debate. And so we will hopefully cover views from important other parts of the world in the course of the two days here.

So, with that I will ask Nancy Birdsall to say a couple of words.

NANCY BIRDSALL: Well, thank you, Frank. I do want to start by thanking Frank and Jessica Einhorn especially, the dean here at SAIS, who is right there – I'm very pleased she's also a board member at the Center for Global Development – for the collaboration in putting together what I think is going to be a really exciting set of discussions. It's an opportunity to think big, to think about ideas and to think big about ideas in development.

I just want to – let me also say that I'm a proud SAIS graduate as well as the proud head of the Center for Global Development. And there is a big zero for me coming up in the spring of this year, and I won't say which one. (Laughter.)

I wanted to make four points very quickly. The first one is a little bit about the approach that I want to bring to this as the head of the center. It's a great opportunity for us. The center's usual focus I think of as bold and actionable policies that are shaped by good, rigorous research and by evidence.

This is an opportunity for us as an institution – and many of my colleagues, some non-resident fellows, some members of our advisory group are participating – to step back and think about how the larger agenda in development will be shaped by ideas and by possible changes in thinking about ideas over the next few years. So I think it's an opportunity that I am so pleased we've been able to work out together, and I'm very thankful to Frank and Jessica.

The second point I wanted to make is that the development community, that is well represented here, has operated – that's academics, policy-makers, policy analysts, practitioners – implicitly and explicitly has operated for the last several decades at least in a world that I would characterize as hegemonic in two ways.

First, the U.S. has been the hegemon in the geopolitical sense. It still may be, but it's certainly not – it's the unipolar moment has passed and the landscape is shifting the geopolitical and geoeconomic landscape is shifting beneath our feet, as Frank said.

And, second, we have operated, in a sense, in a world of hegemonic ideas – we, the development community – if not in the last few years, certainly overall in the last two or three decades. And it does feel as though this crisis is the end of the unipolar moment for the U.S. and it's the end of what has unfairly been characterized sometimes as the Washington Consensus in terms of being a neoliberal market fundamentalism.

That's not ever what John Williamson meant – there he is – but insofar as that was the great understanding of what was going on, we're at the end, maybe, of that sort of hegemonic idea at the moment. It's already yielded a messier set of ideas about institutions matter and every

country can do what it wants, a little bit the Spence Commission, the report on growth of the Spence Commission ideas. So that's the second point.

Third, I think the question that we want to keep in our minds as we proceed over the next two days is, what is the appropriate growth and development model for developing countries? That's the normative question, but also, what is likely to emerge from the ashes? Maybe that's an exaggeration of this economic crisis in terms of what is or what will be the model that is embraced around the developing world, in a setting in which – and this comes to my fifth point.

I want us to keep in mind that for most of the developing world, with the only exception perhaps of China, they are still takers, not making what happens systemically. So a subquestion that comes with, what is the appropriate model, in a normative sense is, what should be the appropriate approach at the global level in terms of global coordination, in terms of the role of the international financial institutions in addressing whatever is the new development model.

Thank you very much. I think now we're going to have Bernard. Is that –

MR. FUKUYAMA: I'm going to introduce Bernard.

MS. BIRDSALL: Good.

(Applause.)

MR. FUKUYAMA: So I would like to introduce the person who made this entire conference possible. The Bernard Schwartz Forum on Constructive Capitalism was founded when I first came to SAIS back in 2001 as a forum to discuss globalization in a sense, and the management of globalization.

Bernard believes very strongly that growth in world productivity has tremendous potential to alter the world for good, but it also is a process that needs direction, that has a lot of problematic features, and the forum over the years has tried to address those through a series of books. I think we're up to three and this conference will lead to our fourth.

But to keep open the debate on the consequences of globalization, and I think that Jessica Einhorn would agree that Bernard, for SAIS, has been a tremendous benefactor, both for this particular program and for the school as a whole.

Bernard is currently the chairman and CEO of VLS Investments, but for 34 years prior to that he was the CEO of Loral Space and Communications, a major maker of satellites and other high-technology products. In that capacity he has dealt extensively with China and with other parts of the global economy. And I must say, in my dealings with him over the years he has also emerged as a very important public policy spokesman.

He's very heavily involved in the politics and particularly the politics of the Democratic Party. He is an advisor to the Democratic Leadership Council and has been extremely outspoken on many of the public policy issues that face both this country and the world more generally.

So I've asked Bernard to say a couple of words to get us started. I want to begin by thanking him personally for everything that he's done for this conference and the forum. Thank you.

(Applause.)

BERNARD SCHWARTZ: Thanks, Frank. And, once again, I'm amazed and pleased and gratified that initiating an extension of the series that – and a partnership that we have had for so long with SAIS, that you are able to bring together the kind of talent that we have here today with our panelists, and to have a two-day conference addressing the really tough issues that come before us as a society and as an academy, and then for policy-makers.

I think you make an enormously important contribution, as SAIS does, on a continuing basis, and I'm proud to be part of that, and you continue to bring this degree of excellence to the discussion that's very important.

And I also want to extend my welcome to Nancy. This partnership is a very good one. You've got a full house here today. It gives you some sense that both of you are able to get – your star is being able to get people here. You're like magnets who attract the important bodies around you.

It's so important to have this kind of dialogue. It is so important to – for people outside of the policy-makers immediate circle to be able to hear and be impacted by the thinking and the discussion that comes out of these kind of initiatives. I think it's extremely important that we do that in Washington particularly.

The world is constantly changing, and we have seen it over and over again, the changes, but the impact on our society of some of the changes that have occurred within the last 25 or 50 years are truly extraordinary. And they're a semblance of some of the great turns of human development over the course of the last 2,000 years.

What we're going through now I think is another very significant challenge to our society, to the structures of our society, to what kind of people we're going to be together, how we relate to people. Things have really changed, and if you think in terms of – in only a short period of time – the idea of having another major global war on the size that we had prior to only 50 years ago on a continuous basis, probably will never happen again, and what kind of new competitions that are – because human beings, being what they are, we're not going to give up our competitive nature, and we're going to seek ways of either dominating or competing.

So the elements of the competitive friction will change, going forward, and I look forward to being a part of, as much – and support of your efforts. And, Frank, I congratulate you. I look forward to new topics of conversation in the near future coming out of SAIS.

For example, we're involved in an enormous change in the United States, not just so much what happened in the last century and prior centuries where whole population shifts in the

United States will be moving from one type of labor to another type of labor, in our case now most recently from industry to the – manufacturing to service. What kind of strains, what kind of challenges will that produce?

And 50 years ago it meant that we moved 40-some-odd percent of our population into the cities with tremendous challenges in terms of how you're going to have those people live in cities in new forms, new kinds of education, new kinds of development. We're going to have those problems ahead of us and I'm hopeful SAIS in the future will look at that.

I see one other observation that's different than in the past, in our experience. In the past, great economic developments in the world were driven by economic challenges and changes, and the fact that I think that the economy and development of the economy has driven those changes. And you can almost predict what they were once you knew there was going to be a technological revolution in information, you could pretty much understand which way that was going to go. Once you saw technological innovation in terms of manufacturing, you could predict how that's going to go.

I would think where we are today the governments are going to have a much greater impact on economic development than ever before. And that is not an insubstantial change because it takes away some of the predictability. It adds a factor of much more challenging times in terms of volatility policy that will be coming of our places like Washington and Beijing and Paris, et cetera. That's a change that we are not yet capable of assessing, and I'm hopeful that we'll be hearing those in the future and future partnerships that we have SAIS.

I welcome you all today. I look forward to this very, very exciting panel. Thank you.

(Applause.)