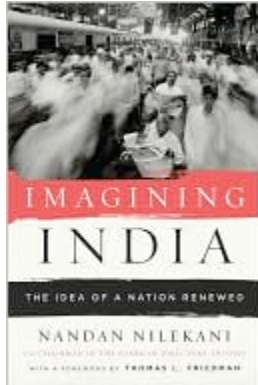




Imagining India: The Idea of a Renewed Nation

Nandan Nilekani , Barbara Crossette , Joanne J. Myers

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Introduction

JOANNE MYERS: Good morning. I'm Joanne Myers, Director of Public Affairs Programs, and on behalf of the Carnegie Council I'd like to thank you all for joining us.

Today it is a pleasure to welcome one of India's most preeminent business leaders to the Carnegie Council. As the co-founder of [Infosys](#), [Nandan Nilekani](#) has been described as a visionary. He will be discussing his book, [Imagining India: The Idea of a Renewed Nation](#).

The book is about the future of India and its role as a global citizen and emerging economic giant. To introduce Mr. Nilekani, I have asked [Barbara Crossette](#) to do the honors. But before we begin, I would just like to say a few words about her.

As many of you may know, Barbara is someone who has been intimately involved with India for quite some time, both professionally as a journalist and as an adventurous traveler. As *The New York Times'* chief correspondent in South East Asia, Barbara traveled extensively in this intriguing country, and she also taught journalism as a Fulbright Scholar at Punjab University in Chandigarh.

I have always been fascinated by the fact that Barbara was the last person to meet with and interview [Rajiv Gandhi](#) before he was assassinated. She wrote about this experience, and later received a George Polk Award for Foreign Reporting for her coverage of this event.

Upon returning from India, Barbara added one more interesting assignment to her brilliant career by becoming *The New York Times'* Bureau Chief at the United Nations from 1994-2001.

In addition to her reporting, she has found time to write several books about South East Asia, including [So Close to Heaven: The Vanishing Buddhist Kingdoms of the Himalayas](#); [The Great Hill Stations of Asia](#); [India: Old Civilization in a New World](#); and [India Facing the 21st Century](#). Currently, she is a travel essayist, a freelance writer on foreign policy and international affairs, and one of the Carnegie Council's treasured Trustees.

BARBARA CROSSETTE: Good morning.

As Joanne has said, I'm Barbara Crossette. I have the honor and the pleasure to introduce today's Carnegie Council guest, Nandan Nilekani, the author of *Imagining India: The Idea of a Renewed Nation*, a

book that has been getting exceptionally laudatory reviews. He just has to show up in New York and he is chased around by [Charlie Rose](#) and [Jon Stewart](#) and everybody else.

This is a wise and persuasive book about India on the cusp of its greatest promise. Its author, a founder, former CEO, and now co-chairman of Infosys Technologies, has been a leader in creating this new India that we all watch with fascination. Nandan wants to take it to an even higher level.

We are very fortunate to have him here now, because it's only a few weeks before India starts a national election, which goes on for weeks because of the size of the project.

I was reminded time and again while reading this book of something my Bengali interpreter said to me in Calcutta more than a decade ago after the death of [Mother Teresa](#). We had time on our hands, because the Sisters of Charity, the mainline Catholic Church, and Indian Army, believe it or not, were fussing over funeral arrangements. My interpreter, visibly annoyed that this foreign nun should be getting so much attention, told me he would introduce me to Indian charities, clinics, a good orphanage, and so on, struggling to exist without global P.R. or international funding.

We spent a long day meeting unsung dedicated people who were cheerfully and tirelessly doing so much to help so many with so few resources. Sadly, they faced politically inspired disruptions and got no help from government hospitals or other institutions.

At the end of the day, my interpreter said this, and I never forgot it: "Let the politicians take rest for one year," he said, "only one year, and you'll see what India can do."

Politics and politicians are ever present in Nandan Nilekani's book, as the author moves from one enormous issue to another—the conflicted relationship between politics and business, the education and health systems that fail too many people, the mixed blessing of caste-based politics. Especially timely is his penetrating study of India's complex attitudes toward climate change and energy policies, a crucial international discussion now as environmental negotiations approach later this year.

Imagining India is the work of an engaging writer with the best reportorial skills. Nandan Nilekani roams India and the world listening to people with expertise and ideas. He invites thinkers to his home. He steps outside the information technology world he helped create to be a citizen advocate in Bangalore, a public intellectual at the national level, and a participant in global discussions about things that matter to all of us.

Awards have poured in from every quarter. In recent years, he has been one of the 100 Most Important People in *Time* Magazine's accounting and named *Forbes* Asian Businessman of the Year.

Nandan is a realist, but also an optimist. He sees revolutionary change in India as even the marginalized poor seem to be more aware of what they need and what they want from government and politicians.

"India has never been short on dreams," he writes. This book sets out to consider what still stands in the way of those dreams for some people today and what needs to be done to meet the reinvigorated expectation of a billion Indians.

Nandan.

Remarks

NANDAN NILEKANI: Thank you, Barbara, for that truly wonderful introduction. Thank you to the Carnegie Council and Joanne for having me here.

I'll spend the next half an hour or so just briefly talking about the book and what I was trying to accomplish.

This book began because in the last several years as a businessman I have been sort of a global ambassador for India around the world. As I go around the world, I meet people like you, who ask me very penetrating questions that I couldn't answer. They were asking: Why is it that, on the one hand, you have this great reputation for technology and outsourcing; on the other hand, you are the world's largest pool of uneducated young children? Why is it that you have such a beautiful campus and you have such large slums? Why is it that you seem to coexist in the 17th century and the 21st century at the same time? Why is it that there are so many billionaires from India on the *Forbes* or the *Fortune* lists but there are so many poor people? These were, frankly, questions which I had difficulty answering because I really didn't know why it was the way it was. So I said, "Let me go and write a book on this stuff so I'll learn on the way." That's how this book came about.

The second reason I did this was I had an increasing sense that India's window of opportunity was unique but also very short. In other words, it had a window where it could either take the high road or the low road. The reason for that is that India is now having its unique demographic dividend. As you all know, a demographic dividend comes just once in the history of a nation, when you have a large number of people in the working-age group of 15-to-65, and because birth rates have dropped, there are less young people being born, and also there are less old people; therefore the number of people who work in the economy, as opposed to those who need to be supported, is very high. In India, it is going to peak at about 4-to-1 or 5-to-1, which is really remarkable.

Typically, when you have such a low dependency ratio, that's the time when economies and countries have high economic growth because there are more people to work and less people to support. It's also a time when countries have the greatest innovation and creativity because you have young people with no responsibilities who can really be different.

So I think India is having this unique thing of its demographic dividend, and India is going to enjoy its demographic dividend for the next 30 years.

What is also unique about India's demographic dividend is that it is the only country in the world which is going to have a demographic dividend. In other words, all other countries in the world will begin to age, for various reasons.

We know there are challenges of aging in Europe and Japan and so forth. But, very interestingly, India and China—I'll give you a very stark difference in demographics. Thirty years back, India and China had roughly the same population and roughly the same level of per capita income, but China has surged ahead. It has grown at 10-12 percent. Its per capita income is 2.5-to-3 times India's.

But what is interesting is the different approach to population in these two countries. Both these countries in the 1960s and 1970s were under enormous global pressure to moderate their populations. India was among the first countries in the world to have a family planning program. While the Chinese in the beginning didn't believe in that, because [Mao](#) believed the more people the better for the revolution, or whatever, by the late 1970s, they also took this whole issue of population very seriously and they implemented what we all know as the one-child policy.

Now, the one-child policy gave China accelerated benefits because it accelerated their demographic dividend, because the population growth rate started slowing down. To some extent, the vitality in the last 30 years in China happened because of the demographic dividend of the one-child policy.

But now, as we approach the end of the Chinese demographic dividend, we start seeing the unintended consequences of that vast piece of social engineering.

- Number one, rapid aging. China is going to age very rapidly. It is going to have 400 million old people very soon without a proper social security or a pension system.

- But there have been other consequences of the one-child policy, which is the preponderance to have male children, and therefore the male:female ratio is skewed.
- Infant obesity, because you have one child and you pamper him with ice cream and chocolate and all that stuff.
- Individualistic behavior, because you are not used to having siblings.

These are all consequences of vast social engineering.

Now, in India we had a family planning which was for most of the time a voluntary approach, except for the brief period during the so-called emergency that was started by [Indira Gandhi](#) in 1975, when she suspended civil liberties. Under the leadership of her son, [Sanjay Gandhi](#), who later died in a plane crash, they had a massive coercive plan for population control. This was the only time in Indian history when there was a plan for population control that actually went and, without taking the consent of the people, they had sterilization operations and so on and so forth, because they wanted to control the population.

The only problem was that when she called an election in March of 1977, she lost resoundingly. That was the last time any Indian politician tried to make family planning a political issue, because he was convinced that if he made family planning a political issue he was bound to lose the election. In fact, this sunk in so deeply into the Indian psyche that the Department of Family Planning was renamed the Department of Family Welfare, because they didn't want to be associated with family planning anymore.

Therefore, India's population growth has also come down. But it has not come down because of social engineering. It has come down because of more organic reasons—because literacy levels went up, because female literacy levels went up, because marriage age went up, infant mortality went down, and therefore there was less pressure on families to have more children, urbanization came in so people went to cities and they didn't have the time or the space to have children, so on and so forth.

So India's population growth has dropped from 2 percent in the 1960s to 1.5 percent now. But this difference in their approach, the fact that China chose a coercive one-child policy and India had this more laissez-faire kind of thing, has led to the fact that China enjoyed its demographic dividend for the last 30 years and India is going to enjoy its demographic dividend for the next 30 years. Therefore, the fact that India is having its demographic dividend now, and is the only country in the world which is going to have a demographic dividend, makes its circumstances extremely unique. So it will be the only young country in an aging world, and that obviously has huge opportunities as well as huge challenges.

But a demographic dividend is only as good as what you do with it. It is only as good as how you encash it. To truly realize the benefits of a demographic dividend, you need to invest in your people. You have to make sure your people have the right education so that they can work, you have to make sure that they are healthy so they can go to work, you must make sure there are roads so that they can go to work or go to school, you need to make sure they have lights at night so they can study for their exams—all very basic things. In other words, to really encash a demographic dividend you really need to invest in human capital and making sure that people have the right skills to perform their jobs and live their lives.

On the other hand, if you don't do that, a demographic dividend can well become a demographic disaster. When you have this large pool of young people and they don't have adequate jobs or they don't have adequate skills to navigate through their lives, at the same time their aspirations have been unleashed, they have been exposed to new media, television, Internet, whatnot, and suddenly, if you release their aspirations and don't create a vehicle for those aspirations, then the same pool of young people who can really build the economy can also become a huge source of combustion in the country because they are disgruntled, they are dissatisfied, they feel that they have been cheated out of their rights, and they can get violent and divisive.

In some sense, that's the challenge we have in the world. I mean if we look all around the world wherever there is massive uprising, it typically tends to be young men in the 18-to-30 age group who don't have enough work.

Therefore, I think India is really at this point where either it can do all the right things and encash its demographic dividend, or not do the right things and end up having a demographic disaster. That was one of the drivers for me to write this book, because I felt that I should really put down the stark choice that stares in front of us.

The other thing is when people write books on a country, they typically take a point of view of a profession, in the sense the economists will write about economics, the political scientists will write about politics, the sociologists will talk about the sociology of communities, the environmentalists will talk about global warming. I felt that a topic like India required a treatment that really cut across disciplines. It required a much more holistic and comprehensive view of what is happening. Therefore, I chose to do this across these things, which is probably ambitious, but what the hell.

To address this thing I decided that, you know, obviously I didn't know enough about many of these things. So I interviewed a lot of people around the world. I interviewed over 125 people around the world from different backgrounds and different disciplines. I tried to weave this story through what they said. I was able to really create this mosaic from all these various interviews. So the book does span across a whole variety of things. But I think that's the only way you can do justice to a topic which is as vast and as complicated as what we have in India.

Now, I also chose to do this book in terms of ideas, because I felt in any society, whether it's America or India, it's only when ideas become mainstream and become embedded that things start changing. In a totalitarian regime, you can always have a few people at the top coming to an agreement to do something and then they can go and implement that. In a democratic society, in a democratic culture, it is far more complex to move change. You see that here as well.

Therefore, in India things change only when an idea becomes mainstream, when it becomes embedded, when it becomes part of the psyche. That is really very important. I felt that reading my book through the framework of ideas is a good way of describing the change happening in a very democratic and very vibrant society.

When I looked at the ideas that are shaping India, I really found four types of ideas.

- I found, one, there are ideas which are responsible for India's current dynamism. It creates the fact that they were not so even 50 years back. In other words, this idea of changing the Indian mind.
- The second set of ideas I have are ideas that everybody is agreed should be done, but just that we are so poor at implementation that we don't actually do them. There is no argument about them; they're just doing the stuff.
- And then, I believe, there is a third set of ideas, which are very contentious, when we argue about them, which are ideological, like you have in the United States about Social Security, about this, that, and the other. Those are what I call ideas that we argue about.
- And then, I say that if India is really able to build on the ideas that have arrived, if it is able to implement the ideas that have to be implemented, if they are able to settle the arguments and the ideas that we have arguments over and start implementing them, then it has the potential of having many, many years and decades of economic growth and prosperity by leveraging its demographic dividend.

But when you start doing that, then you start facing new challenges. I call these the challenges of prosperity. I say that when you look at these challenges of prosperity, we can now look at what is

happening in the rich nations and see how they have dealt with these challenges or how they have come to these challenges and see is there a way that we can do an end run around it. In a sense, why should we repeat the mistakes that have happened in the rich countries? Is there a way to do it differently, learning from that history? That's why I call the last set of ideas ideas we need to anticipate.

I think that all these things put together actually give some kind of a strategic point of view on how India can address its future.

Now, this first section, the ideas that have arrived, what are those ideas that have changed so dramatically that are responsible for India's vitality? Because there is a genuine change. In the 1960s, India grew at 3.5 percent a year and its population grew at 2 percent a year. When the population grows at 2 percent and the economy grows at 3.5 percent, it takes 45 years for per capita income to double. In other words, if the per capita income is \$1,000, it takes 45 years for it to cross \$2,000.

Today, when the economy has grown at 8-9 percent and the population growth rate has come down to 1.5 percent, per capita income doubles every nine years. That is the important point. Look at the compounding here. That is a change of the rate of speed, the acceleration of what is happening. Something which took 45 years to happen is happening in nine years. It's like a car traveling at 20 miles an hour suddenly going at 100 miles an hour. Therefore, it is this rapid change which is responsible both for the dynamism as well as the challenges that India has.

Why is it that this stuff went from 20 miles an hour to 100 miles an hour? One is clearly the demographic dividend. And also, I think, a huge change in the minds of Indians, recognizing that population is actually a source of human capital. That is a big change, because if you go back to the 1960s and 1970s, it was all about this big population, we'll feed them, we'll get relief, wheat from the United States, all that stuff. Today we have gone from that era, where we saw this huge thing as a burden, to saying, "Hey, actually we have this great young population, they're all dynamic, they're all aspirational, and we need to tap into that."

Therefore, the first big idea which I think is changing the Indian mind is the notion that our population is our human capital. I think that's a very important defining thing for us.

The second thing has been, I believe, the changing view of India's relationship with the entrepreneurs. One of the things which happened after India got independence was the legacy of its past made India turn its back to its entrepreneurs. There were two or three reasons for that.

One was the British Empire itself was a company. Until 1857, the British Empire was actually the British East India Company. Therefore, in some sense, a company had colonized India. Therefore, there was a lot of anti-company feeling among Indians because they saw imperialism and multinationals and corporations as all tarred with the same brush, and therefore said that we should be independent of them.

The second reason is that there was a strong feeling in the 1940s and 1950s of [Fabian socialism](#) and all the other things, which said the state should have a very large role.

The third reason was that the Indian businessmen before independence, like businessmen anywhere, hedged their bets. So they both worked with the British as well as worked with the Indians. So the Indian rules said, "These guys can't be trusted because they seem to be running with the hare and running with the hounds."

Therefore, given all these reasons, there was a lot of antipathy towards Indian business, and therefore Indian business was suppressed for a long time. It was only in 1991, when we had the economic reforms under the leadership of Prime Minister [Narasimha Rao](#) and current Prime Minister [Manmohan Singh](#), that there was some element of loosening up for entrepreneurs.

Now, the reality actually is that India has enormous entrepreneurial depth. You know, it has a lot of large state-owned companies, which are very good; it has a lot of foreign companies, the GEs and IBMs of the world who do business in India; it has a lot of huge well-known family businesses, like the Tatas and the Birlas and so forth; and it has literally hundreds of thousands of new entrepreneurs, people like us, who didn't begin with a background of business but chose to do business. There is this very, very important and diverse cocktail of entrepreneurs. That is the second big reason I believe that India has got this new vitality, the sheer depth of its entrepreneurs.

And the entrepreneurs are becoming a lot more confident. I call this confidence of the Indian entrepreneur—I use a metaphor, which is all in the city of Bombay—I call it "from Bombay Plan to Bombay Club to Bombay House."

Now, what does that mean? In 1944, three years before Indian independence, the leading businessmen of India got together and created something called the [Bombay Plan](#). These were really the top guys of the day—[J.R.D. Tata](#), [G.D. Birla](#), all the really preeminent businessmen of the day. They themselves said that the state must have a very large role in the economy. They said that private capital will not be able to afford the huge nation-building activities that—does this sound familiar? They said, "We can't afford it. We don't have enough money in the private sector. Therefore, the state must step in and spend billions of dollars and build roads and steel mills and whatnot." So the Bombay Plan actually conceded that really the state must have a very big role in the economy. That was really the entrepreneurs of 1944.

Then, in 1992, we had a bunch of businessmen who formed something called the Bombay Club. Remember, 1992 was one year after we had the economic reforms. The 1992 businessmen said: "Look, for 40 years we have been having this protected environment of high tariff barriers and all that and we are not globally competitive. If the government opens up the floodgates, we will have all these foreign guys coming in and we'll all get demolished." Therefore, they said, "Give us another 40 years to get our act together, and please, please put up these protectionist barriers." Again, very familiar. Therefore, they actually lobbied to keep protection. Fortunately, we did not do that.

So the 1992 businessman was of the view that India should continue to protect its domestic entrepreneurs against global competition. So that's the Bombay Club.

Today we have Bombay House. Bombay House is the headquarters of the [Tata Group](#), which is the largest and most respected business group in India. They now think globally. They own the Pierre Hotel down here. They own Corus, the steel company. Their plan is to have 50 percent of their business outside India. They are globally competitive.

This is the fundamental change in the Indian businessman, from someone who wanted a large role for the state, from someone who wanted protectionism, to someone who is willing to deal with global competition. This is really the second big thing, the entrepreneurship that we have.

The third thing, I believe, is our attitude towards technology. You know, for a long time in India technology was seen as something forbidding, something intimidating, something that you had these large computers with tapes and all going around behind glass doors. In the 1960s and 1970s, computers in India were called "job-eating machines," because the people said, "You get computers, you automate staff, and you lose jobs." So they called them "job-eating machines."

There was so much of this pervasive anti-computer feeling that, as late as the 1980s, when the Reserve Bank of India, which is like the Federal Reserve, came out with a policy of putting computers into banks, they didn't call them computers, they called them "ledger-posting machines," believing that if they called them "ledger-posting machines" the unions would no longer be scared of these things. And when there was a requirement to have more powerful versions of these, they called them "advanced ledger-posting machines." So those were the kinds of euphemisms that we used, because we were scared to use the word "computers."

Today in India, we ship 8 million mobile phones a month. Eight million is the world's largest mobile phone market. Ninety-nine percent of those mobile phones are prepaid, which means the people who buy them don't even have a credit history, so they have to pay in advance to use a phone. They don't have a bill or something. For 40 percent of those mobile phones the average recharge is 20 cents. In other words, people who have just enough income to put 20 cents of talk time on their phone, use that for a day, and go back with 20 cents the next day. So that's the reach of technology.

So technology in India has gone from something intimidating and forbidding and behind glass doors to an empowering tool for everybody, including the poor. That's a big change, the acceptance of technology as a tool of empowerment.

The fourth is our attitude towards English. Again, India has had a very tortuous relationship with English. English, as you know, came to India in the 1830s. It came because the British wanted to do outsourcing. You know, it began with outsourcing; it ends with outsourcing.

In the 1830s, the British East India Company was finding it expensive and difficult to get British expatriates to come and work in India. Therefore, they said, "We must train the local guys in English so that we can hire them and make them work for us in India." Therefore began the [McCaulay's](#) policy of teaching English, which began in 1835.

Unfortunately for the British, when they taught the Indians English, they not only got clerks who could work in their offices, they also got people who began to read Western philosophers and Western literature on democracy and human rights and equality, [Mill](#), and all that stuff. So fundamentally it actually also awakened the Indians' desire for running their own country. And more importantly, it acted as a unifying language. In other words, the Bengali in Calcutta and the Tamil could both speak together. Earlier they had no common language. Therefore, English became the language that united the people who led India, and therefore, in some sense, English was a unifying language both as a way to get global aspirations and global ideologies as well as a way to unite Indians.

But when 1947 came along and India got its independence, it didn't seem right that a foreign language be the national language, because, again, English was an example of imperialism. Therefore, the national language was declared to be Hindi.

There was only one problem. There are 200, or whatever, languages in India and there are a lot of people in south India, the part of the country where I come from, who don't know Hindi. They said, "What the hell? You guys can't force this language on us. If you make Hindi our national language, we will be at a disadvantage because the guys who know Hindi will get better business, better government jobs."

Therefore, in 1950 a deal was struck. This is how democracy is important, because democracy provides the accommodation of these complex interests. A deal was struck that English would continue as a link language until 1965. So the deal was struck. Earlier we had this uneasy relationship with English and Hindi and all that.

And then, 1965 came along and we still had the same problem because the guys in the south hadn't learned Hindi. So they promptly went on an agitation and started burning themselves in Tamil Nadu and Chennai in 1965-1966, where a lot of people went and burned themselves, saying, "We'll never learn this Hindi stuff."

And then, there was an election in the state of Tamil Nadu and the government actually came to power on an anti-Hindi/pro-English platform.

And then, finally, they said, "This is getting too much. There is too much fighting going on." They said, "We'll keep English for a few more years." So English continued as the so-called link language and continued in India. So it remains.

It remained not because of the desire to—again, it was democracy at work. All these guys said "Why?"

And, very interestingly, the opposite thing happened in Sri Lanka. In Sri Lanka, they insisted that Sinhalese be the language of the state. Even today we are seeing the consequences of that. We are seeing the consequences of what is happening between the Tamils and the Sri Lankans, for the simple reason that they insisted that there should only be one language.

There was a very famous Sri Lankan politician who said in the 1950s, "Don't do this, because you can either have two languages and one nation or one language and two nations."

So I think in some sense language policy becomes very important.

So, in any case, after 1967 English became—we had this uneasy thing where it was agreed we would keep all this stuff.

And then, the whole outsourcing thing began. The outsourcing thing suddenly showed the economic value of knowing English, because if you knew English then you could participate in the global economy. Therefore, suddenly English became a language of aspiration. Today, even the poor want their children to learn English because they say, "If our children learn English, they will do much better in life."

After 1967, many states in India actually stopped teaching English. But now they are all going back, because they are finding their kids are getting disadvantaged.

Therefore, English has had a very tortuous history. But now it's all set. Everybody wants to learn English, so we're all there. So that's the fourth thing.

The fifth thing, I believe, is because of this young population, globalization is to India's advantage, because when you have a young population you can participate much better in the global economy. Therefore, global factors are to India's advantage.

Indians, again, who had a very, very negative view of globalization in the 1950s and 1960s, because they saw globalization and imperialism in the same vein, are now very comfortable with globalization and they are willing to go and to participate.

The sixth thing, I think, which has made a huge difference is democracy. Indian democracy has been unique because Indian democracy was a "big bang" democracy. It was not that every 20 years one group of people fought and got some rights. Everybody got their rights on one day: big bang. This is a very unique thing, because in all other democracies democratic rights have taken many years. If you look at the United States, you start from 1776 all the way to 1864, 1865, the American Civil Rights Act, when really all these things happened. But in India it happened in one moment. Therefore, we have this unique situation where today democracy has become deeply embedded in India.

There are, of course, a lot of negative consequences. We have a lot of corruption in our elections, we have a lot of caste-based parties in our elections, and we have a lot of criminals standing for election, and so forth. But fundamentally there is this upsurge where people are willing to work and make a difference.

What is unique in India is the poor actually work more than the rich, because the poor have realized that work is the only way they can throw out these guys. That is a very important thing.

As Barbara mentioned, the next election is really going to be very interesting. It starts on April 16. It is going to go on for a month. There are over 700 million workers in this election, the world's largest election. It takes a month because it is a big country. It is going to be a very, very complicated election because there are literally 40-50 political parties. Nobody knows what this is going to come out.

But the good news is that we have these peaceful transfers of power every five years. Whoever is going

to win the election will have the legitimacy to rule. There is no question about anything else.

When you look at some of the challenges we have in neighboring countries, the fact that we have this democracy is a very big thing.

So these six factors, in my view, are responsible for India's vitality:

- The fact that it treats its population as human capital;
- The fact that entrepreneurs are now much more respected;
- The fact that technology has now become empowering;
- The fact that English is now the language of aspiration;
- The fact that global factors are in India's favor; and
- The fact that democracy is so deeply embedded.

What is unique is there is no other country in the world which has all these six things going for it. Therefore, that's why the opportunity is so large. Strategically it is a great opportunity.

Now we come to the challenges. So far it sounds great, it's all going to be hunky-dory, and all that. Now let's talk about some of the issues.

The first set of issues to my mind are simply implementation issues, things that have to be implemented.

One of them is primary education. India has had a terrible record in primary education. That has been one of the huge problems it has had, which is that it has a large number of largely illiterate people.

Now, you may wonder, "Why is that? It's an obvious thing that you should have primary education." There are a number of reasons for that and there are a number of theories for that, all of which are partly true.

One theory is that because of the nature of our religion, of Hinduism, and Hinduism being more of a verbal, oral tradition, there was no need for people to learn to read to read the scriptures, whereas in Christianity or Judaism or even in Buddhism there was a need to read scriptures, and therefore they were taught to read the alphabet, and therefore there is no need to teach Indians this thing.

The second reason is because of the caste system and because education was seen as a form of social exclusion: The upper castes didn't want the lower castes to get educated.

The third reason is that the rural peasantry didn't want the landless people to get educated because then they would demand something from them. They wanted them to be uneducated so they could get low-cost labor on the farms, and so forth and so on.

The fourth reason was there was not enough money, whatever.

There was a whole set of reasons why education didn't happen.

But today I believe education will happen, because the poor have realized the economic consequences of not having education, so they are willing to put their children in schools. The government has realized the consequences of having an educated population, so they are putting money into schools.

There is still a challenge of making the schools work, because the teachers don't come to work and all

that. But fundamentally, I think, education is what I call an execution challenge. There is no argument about it. There is money. Everything is there.

The second is infrastructure. Again, they don't have an infrastructure because it never made political sense to build infrastructure, because it took too long to get done. So people did short-term things rather than build fundamental infrastructure.

But today I believe that has changed. That is well reflected in our political slogans. In the 1970s and 1980s, when Barbara was in India, the election slogan was "*Roti, Kapra Aur Makan*" (food, clothing, and shelter); "We, the government, will make sure you have food, clothing, and shelter."

Today's political slogan is "*Bijli, Sadak, Pani*" (power, water, and roads), which is infrastructure. In other words, in the minds of the people, infrastructure has now become politically salient, and every politician has to promise better infrastructure. So infrastructure is again an idea whose time has come.

Except that it will take a long time to do the stuff, right? We don't build the actual things. At least nobody says, "Don't build the road." Everybody says, "Let's build the road. It may take 20 years, but let's build the road."

So infrastructure is the second thing which is in the execution mode.

The third thing is our cities. We say, "What's the problem with cities?" Well, the reality is the Indian mind has always had a very ambiguous relationship with the city. Now, why is that? I believe there are two reasons for that.

One, [Gandhi](#), who was so influential, believed that India should live in its villages. He had the notion of the "village republic." He actually made the statement that cities are evil places, where all these guys get together, huddle, and do nefarious things. Therefore, he always had this anti-urban bias.

The other reason for our sort of ambivalent view of cities is that the British ruled India from the cities. Basically, after 1857 they were more concerned about their security, and therefore they tended to congregate in cities and build cities for themselves. They built 65 hill stations, 65 beautiful townships to go to in summer and all that. They also built the big cities, like Delhi was built by [Lutyens](#) in the 1920s; he built its imperial buildings. When you go to Bangalore the [Bangalore Cantonment](#), they have these broad roads built by the British Army.

So for independent India the cities reminded them of imperial rule, because wherever they went they saw these buildings built by the Brits. In fact, Nehru has said, "New Delhi is an un-Indian city," because it reminded him of the British rule.

Because of this—Gandhi's view of the village republic and Nehru's view that the city was essentially a British relic—India developed a sort of antipathy towards cities and said cities are not required.

In fact, the planning commission in 1951 said: "Cities in India are an accident of history and geography." I don't know what that means. But clearly, they did not like this stuff.

But what has happened now is, because of the economic reforms, we are finally beginning to realize that cities are important, cities are important engines of economic growth, important engines of productivity, of creativity, of intellectual discourse. I think, finally, India has reconciled itself to the fact that we need good cities.

Because of the fact that cities had a bad rap, cities also became very disempowered. They didn't have powers. They became weak. When they became weak, they became financially weak. When they became financially weak, they didn't have the capacity to maintain themselves. That's why when you go to any Indian city it is very decrepit and rundown. This fundamentally has to do with the politics of cities in

India. But I believe that is changing.

The fourth thing that I believe is changing is India's view of the single market. Again, when you don't have markets, how does it matter whether you are a single market or not? It doesn't matter if there is no market in the first place.

But once you start having markets, you realize that you really need to create broad movement of goods across the country. You need to be able to manufacture in one state and move to another state. Today India's infrastructure and taxation is so archaic it's very difficult to do business across state boundaries.

But now that is changing. That is one more thing where everybody agrees, that we should have a single market.

These four things, I believe—primary education, urbanization, infrastructure, and single markets—are things that we now just have to get done.

But what do we argue about? I think there are three big things we argue about, like you guys do here, but not the same ones.

One is our attitude in dealing with affirmative action. India, as you all know, has had this caste system, which has been the most sophisticated form of social exclusion ever invented, and therefore denying a lot of people their rights and their mobility.

The question is: How do you do that? What kind of affirmative action do you have?

We have implemented something called reservations, where we reserve jobs and educational seats for disadvantaged communities. But it has also become part of the politics of the game, because caste-based parties now demand a larger piece of that cake. So it has become very murky.

And there is the whole issue of: How do we handle the challenge of excellence, expansion, and equity at the same time, inclusion? So there are big arguments about how to do inclusion without sacrificing excellence and expansion. That is one big argument which has to be resolved.

The second big argument is on higher education, allowing universities to function, because universities in India have become completely under the thumb of the state. Therefore, instead of focusing on education, they are doing all kinds of other things. There is a need to expand in the area of education, allow private universities, allow foreign universities. There is a whole big fight on educational reform.

The third is labor reforms. We have a very archaic system where we have a small fraction of employment in the formal sector with excessive labor rights, and we have 93 percent of the employment in the informal sector with no labor rights. Therefore, there is this sort of bipolar kind of behavior which needs to be addressed and there is a whole amount of reform required there.

So this is where the arguments are—about higher education, about labor reform, about affirmative action—and those have to be resolved. We really have to get on with what we have to do.

Now, as I said, if you are able to implement these ideas that I have presented for India and execute upon the ideas that we agree upon and sort out these arguments, India has the potential to grow at 6-7-8 percent for many years to come. That is a huge thing. As I said, if you grow at 6-8 percent a year, you double every 10 years. In 40 years you grow 16 times, 16 times per capita income. So it can have a huge impact.

So what are the challenges of the future because of that?

One, I talk about the fact that because we are entering our growth paradigm at a time when technology

has become so cheap and accessible, we can actually think of different ways of using technology for development, which other countries did not have the luxury of doing because they developed maybe 100 years back.

The second is health. India has the highest amount of malnutrition in the world, but it also has the highest level of heart attack, obesity, and diabetes in the world, because it has gone from one health paradigm to another health paradigm. It is getting all the problems of rich countries. Therefore, we have to think of how to make sure that public health and lifestyle diseases don't become a big issue. We need to anticipate that. We need to see what is happening elsewhere.

And then, of course, there is the issue of entitlements. How do you design social security, how do you design your pensions, how do you design your unemployment insurance, so that you really make sure that you take advantage of the young population and don't create a huge burden 40 years down the road?

And then, the challenges Barbara talked about.

How do we deal with the environment, because India has to provide development without destroying the environment? If you have a billion people, you can destroy the environment fairly easily. Therefore, how do we ensure that we meet the aspirations of people for a better life without compromising the environment? Nobody has answers on that, but we need to address that.

And then, there is the challenge of India in a post-carbon economy. If you accept the whole argument in global warming, clearly India's energy needs will have to be met in a different way. Historically, if you look at the last 200 years in the West, there is a linear connection between per capita income growth and energy consumption, which was typically hydrocarbon-based. But if India is to grow its income 16 times in the next 40 years, it is unlikely we will be able to increase our carbon output 16 times in the next 40 years. Therefore, we will require a whole new energy model which is based on post-carbon kind of thinking.

One advantage we have is we haven't built trillions of dollars of coal-fired plants, and therefore we are able to think differently and build a whole new infrastructure which is in the post-carbon era.

Therefore, to me, these last set of ideas are really what I call the need to anticipate, because it is very obvious. We know what has happened in rich countries, we know what has happened in the United States, in Europe, and in Japan. So there is no need for us to reinvent the wheel. We can actually think through this, tunnel through the situation, and create a different future for ourselves.

So my basic thesis is that India is at this very critical point where its demographic dividend is about to explode. It can either choose to harness that or it can choose to go down with all the problems of not addressing that. If it can address that, it can in the short term address the challenge of population and poverty and, in the long term, develop a whole new paradigm of development, which makes it a very unique country in the world.

Thank you very much.

Questions and Answers

JOANNE MYERS: I'd like to thank you very much for such a wonderful presentation. I kept thinking how lucky we are that India outsourced you for the time to give us this talk.

I'd like to open the floor to discussion.

QUESTION: As you were speaking, it struck me that India would be a natural to spearhead the effort to

bring Iran back into the community of nations. Iran's demographics seem somewhat similar, with 70 percent of the population under the age of 30. Could you also please comment on the historic relationship between the Hindu and the Shia?

NANDAN NILEKANI: I think it's a very good point. I think India and Iran do have long historical ties. A lot of the Islamic movements have a lot of their roots in India, the [inaudible] sect and so on and so forth. So I think India can definitely play a role in this. But I don't know the current politics or what is happening.

But certainly, I think that's an important point. Just to answer the question, why is all this important to all of us, and why are we having this conversation at an early-morning breakfast over India? I think many reasons.

One is, I think, what happens to a billion people is important to the rest of the world. The billion people, if they are living in harmony and prosperity, is one thing. If they are not, it's another thing. So clearly that has a huge strategic implication.

Second, I think India is able to prove that economic growth and democracy are not incompatible. There is a whole school of thought that argues, especially in Asia, that you can't give people political freedom until you reach a certain level of economic growth, and therefore you need to have autocracy and so forth. I think India is trying to disprove that. You can have political freedom in a poor nation and still have economic growth.

I think the third important point which you are making is that India can play a bridge role, because it can bridge the West and a lot of these countries, because we have the Western connection because of the English and all that, and we have all the traditional things. We have the world's second-largest Muslim population. We have every Muslim sect in India. So it is a country that lives in diversity, and therefore it could play a role.

So while I don't have a specific answer to your Iran thing, I do believe that India can play a bridging role in global politics.

QUESTION: Your personal vitality and dynamism can do so much for the world to get people out of the psychological slump and to realize that they can do so much. So would you comment on the major entrepreneurial nodes in India now, in Bangalore and Mumbai and so forth, that are overcoming this diversity of religion and ethnic background and everything else that you have referred to?

NANDAN NILEKANI: Well, I think, as I said, India's entrepreneurial diversity is huge. I would say it's the largest after the United States.

One clear node is in Bangalore, where I live, which has a very technology flavor to it, because a lot of the people are from technology backgrounds. So you can think of it as a hotbed for information technology, biotechnology, and so forth.

But Mumbai is a more traditional business hotspot. Mumbai, like New York, has always been a business city. It has welcomed historically people from all over the world. Some of the biggest businessmen in Bombay/Mumbai were both immigrant categories.

People like the Tata are Farsis, who actually came from Iran, Zoroastrians who came from Iran to India. And similarly, there was a huge set of Jewish businessmen in Bombay, the Sassoon family, which is a very famous philanthropic family in Bombay. They were actually Baghdadi Jews who came from Iraq to India because they ran away from Iraq and India gave them sanctuary.

So I think there is a lot of traditional business in Mumbai. And around Delhi also has become a very vibrant business capital.

The challenge in India is really what is happening—I'll just go back. You know this demographic dividend I talked about, actually if you peel the onion, there are two demographic curves in India.

One is in the south and the west. The south and the west of India already are going to start aging. By 2015 it is going to start aging. In other words, the south and the west have already gotten the benefit of its demographic dividend.

Today the birth rate in the state of Kerala is the same as any West European Country. It is that advanced in terms of births.

But the bulk of the population growth rate is actually in middle India, in central India. To give you a sense, in the next 25 years only 12.6 percent of new births in India are going to be in the south; 50 percent are going to be in six states—Pradesh, Bihar, all that stuff—and therefore that's where the rubber hits the road. How do we address that hump of people?

The reason why I am raising this point in your question is that that area does not have the entrepreneurship that we need. That's the point. The entrepreneurship is a lot more in the south, in the west, and around Delhi, but it is not really in the heartland of central India. That's where we need entrepreneurship to create the jobs and create the education for all these people.

But I generally feel that Indian entrepreneurship has really come out very well, coming from the cold. There are many examples.

Just on Monday was launched the [Tata Nano car](#), which is the world's—now, you may argue why do you need more cars. But fundamentally it is a good example of innovation. It is the world's cheapest car and does not sacrifice on quality or safety or environment.

Similarly, our telephone system. As I said, the average recharge for 40 percent of the people is 20 cents each time, and still these companies are making money in giving such low-cost services.

So India has shown a lot of innovation on the business side.

QUESTION: I'd like to ask you about a small problem you haven't touched on, called Pakistan. You've painted a very ambitious vision of the future of India. I'm wondering really how the Pakistan issue may impact on this. Is this simply a matter of an almost static kind of cancer that's so slow-growing that you will be able to override it and live with it indefinitely, or is the possibility of this kind of political chaos right on your doorstep, the possibility of a terrorist state, going to have an impact on your plans for the future?

NANDAN NILEKANI: I think that's an excellent point. I agree, I didn't touch upon it.

I think it is something which has to be resolved. I don't see how any country can have 30-40 years of uninterrupted economic growth without friendly neighbors. It's not going to happen. The United States has friendly neighbors. Europe after World War II made themselves into friendly neighbors.

So I agree with you. From a strategic point of view, I don't see how what I say can happen unless we also address the issue of our neighbors, including not just Pakistan but some of the other countries. It is very disturbing to see what is happening there.

It's not just the terrorism part of it—I mean terrorism is one part of it—but also, if you have a situation where in the same region you have countries of different economic achievement, then the migration challenges are going to be huge, like some of the challenges you have here. Already India has a lot of refugees and migrants from Bangladesh coming in. So the social implications of large-scale migration from countries that haven't achieved the same level of economic momentum that we have is a challenge.

I agree with you completely.

My personal feeling is that India should proactively do something about building better relations with all her neighbors because it's in our strategic interest for that. That is just a personal point of view. I'm not a geopolitical expert.

QUESTION: I have a much more specific question about primary education. I only visited India once in 1998, so it's a long time ago. As we were driving by a slum, and believing in primary education, there were a lot of kids running around, actually half naked. I asked our guide, "Can these children go to school, because how do you get out of a slum without education?" He said, "Oh absolutely, every child in India can go to school." I said, "But is it free?" He said, "No, they pay \$50 or \$100 and they can go." Now, if that is true, I'm wondering what the situation is today, whether there is free education in primary schools.

NANDAN NILEKANI: Actually, I think it's a very similar conundrum to what you face here in the United States. Technically we have free public schooling. Government schools exist for that. However, in reality the government schools are dysfunctional—teachers don't come to work, they don't have blackboards, they don't have chalk, whatever.

For many years, it didn't really matter, because the Indian rich and the middle class created a whole chain of high-quality private schools for themselves so they didn't have to worry about the public schools. So they abdicated from the system. So the government schools went down the tube.

Now what has happened is the poor have realized the value of education because they are seeing around them the huge economic and income transformational aspects of education, which was not true 20 years back. Twenty years back it made more sense for them to send their children to work as child laborers and earn income today than wait for ten years while they got an education. But now they realize the benefits.

However, when the poor try to put their children into government schools, they find they don't function very well, which is why now there is a huge parallel private school network which has started, which is where that \$50—actually it's less than that, maybe \$10 a month.

Now, these private schools often—these are not fancy private schools. They're not like Phillips Exeter Academy or something. This is a one-room tenement, a couple of teachers, English and some things, and charge a few bucks.

Today in urban India, 50 percent of the slum children go to such private schools, 50 percent. In rural India, it's 22.4 percent. Again, the people are voting with their feet. They're saying, "Government, if you can't fix your schools, we'll just skimp and starve but we'll send our children to what we think are slightly better private schools."

So I think from the time you went in 1998 there is a huge appetite for education. The public schools are still dysfunctional, but at least there is private education.

Enrollments have gone up dramatically. Enrollments in schools have gone up dramatically. There still is a high dropout rate, but at least kids are getting some education.

I'm personally convinced that, in terms of the momentum on education, we are past the hump. There are a lot of things to fix, but over the next 10-15 years India will fix its literacy issues.

QUESTION: Do you think that India can make a significant contribution to resolving the world financial crisis; and, if so, what could India do?

NANDAN NILEKANI: Well, that's a difficult one. I don't know anybody on the planet who can resolve the global financial crisis.

I think the way India can contribute to that, to my mind, is that it—while India has obviously been affected by the crisis because it has affected capital flows—capital flows are reversed, so there is less money coming in both in debt and equity; out stock markets have gone down 50 percent; trade finance has been impacted; demand for exports has slowed down. All that has happened.

But at least we don't have some of the more pernicious elements of the crisis, in the sense we have banks which are robust, which haven't bought sophisticated products. We have good regulation and all that stuff. So I think India has the potential to recover quickly.

I think the best contribution India can make is get back on its feet as soon as possible, get back to decent rates of growth, and have an open economy which allows countries to sell into India and so forth, and contribute.

Look, the U.S. GDP is about \$14-15 trillion, right? You have all these stimulus plans, each over \$1 trillion. India's entire GDP is \$1 trillion. It's equal to one stimulus plan here. So I don't know how much we can do. It doesn't have the economic heft and clout to really do more than that. But we will do our best. We will do our best.

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