July 1, 2002 will mark the close of Lawrence H. Summers’ inaugural year as the twenty-seventh President of Harvard University. We kick off our WTO feature with an interview with Harvard’s new President Summers, at a time when Asia is gaining increasing prominence in the world arena. President Summers was previously Chief Economist of the World Bank and Secretary of the US Treasury under President Clinton. He worked closely in many Asian countries during the height of the Asian Financial Crisis to stabilize damage in the region.

HARVARD AND ASIA

An Interview with the New President of Harvard

Lawrence H Summers

HARVARD ASIA PACIFIC REVIEW: There are many ways in which Harvard is directly interacting with Asia. The Kennedy School of Government recently arranged a program to annually enroll high level Chinese officials. And, of course, professors from Harvard consult with governments and businesses on a frequent basis. But still, universities today are charged with producing “veritas,” while companies aim to produce money. Are these things becoming more compatible?

PRESIDENT LAWRENCE SUMMERS: Both the University and companies produce knowledge, and as knowledge becomes more and more valuable, and better knowledge increasingly crowds out lesser knowledge, the methods of the university are increasingly becoming the methods of the most successful enterprises. That is not to say that the best universities will ever be for-profit universities, or that for-profit companies will ever be able to do many of the important things that universities do, but there is a sense in which the organization of the university is proving to be a template in the larger society.
HAPR: During your recent visit to Japan, you used the organization of the university as a metaphor for academic and intellectual freedom in the larger society. How does this impact Japan today?

SUMMERS: There are many relationships between the university and the new economy. Certainly knowledge is more important in the new economy, and links between the university and commerce are closer than they once were. But the profound set of linkages show the increasing ways in which the most hard-bitten for-profit companies are coming to take on more and more attributes of the university. They are regarding their central asset as knowledge and people. They are concentrating on the training and development of their employees. They are moving away from hierarchy and operating through flexible teams from different parts of an organization that are looking everywhere for ideas. They are putting a premium on diversity, on finding the best people, regardless of their background. They are not focusing on a single country; they are trying to be international in their reach. All of these are the values that have mattered to universities for a long time, and are increasingly the values that are animating companies. And I think that speaks to the importance and viability of the academic enterprise and the university; if the military, with its emphasis on command, control, and hierarchy, was in many ways the extreme template for the most successful companies a generation or two ago, increasingly the university will be a template for the most successful companies of the next generation. When companies like Microsoft speak of themselves as occupying, not headquarters, not facilities, but campuses, we see the change that is occurring today.

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HAPR: Harvard has clearly tangible connections and interest in Asian issues, as is evinced by everything from the prominence of the Yenching Institute and its great library, to the recently expanded Asia Center. Do you see Harvard further expanding academic initiatives related to studying Asia in the near future, not just at the Kennedy School, but in terms of the entire university?

SUMMERS: Asia is going to be even more important in the history of the 21st century than it was in the history of the 20th. And, Harvard has got to engage with Asia because of all the talent that is there, because of the enormous array of intellectual issues posed, and because so much more is known in the West of European historical and humanistic traditions than Asia’s historical and humanistic traditions.
So I hope that in the years ahead it is an objective of the Asia Center to intensify Harvard’s relations with Asia, whether that is a matter of Asian students coming here, or Harvard students spending time in Asia, Harvard faculty working on Asian issues, Asian visitors to the Harvard campus, or Harvard’s involvement with Asian Universities. All these are central issues.

**HAPR:** Some critics say that you have a reputation in Asia of a confident, self-assured style. When you were making weeklong trips to Asia during the Asian financial crisis, do you think this reputation might have affected your persuasiveness in implementing your issues and advice?

**SUMMERS:** I think that it is content and substance that are most important when dealing with any issue, and I did have some strong views on what was important for Asian countries to do. I think that some of the countries that were most successful in following the advice that the United States offered—for example, Korea, and to a lesser extent, Thailand—were more effective in pulling out of the Asian crisis, rather than nations that followed other plans, such as Indonesia.

**HAPR:** On the topic of South Korea and Thailand, many people talk of South Korea and Thailand’s relative success in restructuring their economies. In what many consider are good examples of “non-major” nations getting into globalization and succeeding, where do you see these countries maybe ten years from now and what will be the next step for a nation like Korea, now that it has revived successfully?

**SUMMERS:** There is a continuing need, especially in [South] Korea, for deregulation and restructuring of the chaebol. There will also be a need for a more mature financial system, one that relies more and more on public equity, and allows for a greater dispersion of ownership with the de-conglomeration of businesses. There will also be a continuing importance in opening the economies in Thailand and [South] Korea.

**HAPR:** Your economic approach has always emphasized the importance of both free market and government structure. Present day Japan is in a situation similar to where it was during the Asian crisis of 1996-1997. Even when Japanese stocks hit their eighteen-year low, the government, including the trade minister and Prime Minister Koizumi, was reluctant to intervene. In light of your recent trip to Japan and your previous experience with the Asian financial crisis, what advice do you have for Japan?

**SUMMERS:** I don’t think it is a good idea for citizens of one country to give detailed prescriptions for another country. Certainly

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the last thing you want to do is to enter Harvard into the Japanese political debate. In general though, I am struck by the extent to which deflation is defining the Japanese situation, with prices lower now than they were five years ago, and the rate of decline is probably increasing. I believe it is very important for the Japanese financial authorities to do things that will overcome deflation, and that seems to me to be the most urgent priority. Of course, there is a strong case for structural reforms of all kinds to open markets, and to move above all from a society based on presumption of prohibition to a society based on a presumption of permission. But those kind of greater efficiencies, which increase the supply potential for the society, will only be beneficial if the demand is there, and that goes back to macroeconomic policy.

**HAPR:** Based on your significant experience in both the IMF and the World Bank, you have continually emphasized the separate roles of the two organizations. For example, in a joint IMF and World Bank meeting in Prague in 2000. How do the sometimes overlapping responsibilities of these two major organizations affect how effectively policy measures are being implemented in developing countries?

**SUMMERS:** I think it would be a mistake to try to avoid duplication completely. When dealing with issues such as a government budget for healthcare, or the functioning of bank systems, it is probably a good thing if more than one international agency is paying attention to them. Certainly the World Bank and International Monetary Fund need to cooperate more effectively in avoiding giving conflicting advice. There have also been times that together they have imposed an excessive burden in wanting to spend time with senior officials from Asia who also have countries to run. But I think we have made some progress in clarifying the Bank’s leadership role in Africa, on focusing on the Fund’s leadership in stabilization policies, so in general I think the cooperation between the Bank and Fund, while certainly not perfect, was better when I left the government than when I came in.

**HAPR:** During the Asian crisis, you maintained that the US would benefit from a healthy Asia as a justification for US assistance during the Asian crisis. At that time, you were concerned more with stock market interdependencies than with future competition in domestic high tech industries. If or when China moves from being a low-tech power to a medium-tech or possibly high-tech economic power, how suitable would you think the current shift from Clinton’s policy of strategic partnership with China to Bush’s policy of strategic competition be?

**SUMMERS:** I think you need to separate the economic from the geopolitical. From the economic point of view, the single most important thing you learn from an international trade course is that citizens of one
country are better off when productivity and efficiency increase in their trading partners. An economically more successful China will likely be a larger market for US goods, a better provider of goods and services to the US, and history suggests that an economically successful and liberalizing nation is more likely to be involved politically in ways we find constructive. For all these reasons, the impetus provided in economic reform by the WTO is very much, in my judgment, in our national interest. How we should address the geopolitical and security concerns and how they should be positioned is not something I feel I should comment on. However, I will say that people freedom in the university all have a con-
and the restrictions on free thought and which has always been part of our think-

“Asia is going to be even more important in the history of the 21st century than it was in the history of the 20th.”

HAPR: During the final stages of the Sino-US bilateral negotiations, you met with Premier Zhu Rongji to seal the agreement. How important were these meetings to the final outcome?

SUMMERS: Part way through, around October of 1999, I met with Zhu Rhonji in Lanzhou, about three hours outside of Beijing by air, and carried a number of messages in respect to the negotiations as they then stood from President Clinton. I think we were able to clarify a number of issues that helped the process to move forward. But the greatest credit for successfully carrying through the negotiation really goes to Ambassador Barshefky, who had the final meeting, and negotiated for a long week in December and reached a final agreement that everybody could live with.