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18 NOVEMBER 2010, Gateway House

The Mumbai Consensus

The Gateway House mission is to provide a platform for discussing issues that

lie at the intersection of citizens, business and foreign policy. To that end, in 2009, Gateway House conceptualized a Mumbai Consensus to explain and encapsulate factors behind India's successful economic growth.

BY *Gateway House Experts*



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MUMBAI CONSENSUS

The Gateway House mission is to provide a platform for discussing issues that lie at the cross-section of business and policy. To that end, in 2009, Gateway House conceptualized a **Mumbai Consensus** to explain and encapsulate factors behind India's successful economic growth.

When Lawrence Summers, Chairman of the United States President's Economic Council, visited India in October 2010, he said that "by 2040, discussions will be less about the Washington consensus or the Beijing consensus than about the Mumbai consensus". Thus, we have included below our definition of the **Mumbai Consensus** which includes the following six principles in order of relevance:

1. Pluralistic Democratic (Polity)
2. Gradualism and decentralization (Policy)
3. Grassroots development and empowerment (Social-economic)
4. Domestic demand driven and services dominated (Economy)
5. Private entrepreneurship and innovation (Business)
6. Non-expansionist, internationally status quoist (Geopolitical)

The Indian economy functions within a **pluralistic, democratic** polity based on the rule of law. The **political and media freedoms** provide a continual framework for **negotiations by stakeholders** of their right to participate and achieve in society.

Over time India's political framework has resulted in **decentralization** of power to state and local legislative bodies, and provided the basis for a **gradual** and consensual process of economic reforms. This kind of democratic process coupled with simultaneous encouragement to **grassroots development**, has enabled the **empowerment** of women and weaker sections of society.

The propeller of India's success has been **private entrepreneurs**. It has given India the high rates of growth by applying technology to **innovate**, engineer and deliver. The design of new business models and products along with our unique ability to create production processes which maximize output while minimizing input has enabled private enterprise to include and serve the widest possible consumer base.

Thus, as the industries reached out to a wider consumer base, the economy was **driven by domestic demand**, and as the industries responded to the growing needs of the middle class, the economy came to be dominated by the **rapidly expanding services sector**. These industrial advances were powered by high rate of savings and investment.

As for India's international relations, it opts to be a **non expansionist status quo** power which seeks to join, not overthrow, the existing nations and institutions of global governance.

BEIJING CONSENSUS

To explain China's rapid rates of growth and poverty reduction, Joshua Ramo of the Foreign Policy Centre in London, developed the **Beijing Consensus** in 2004 as the following:

1. A ruthless willingness to experiment and innovate, leading to innovation-led productivity growth
2. State-led market dynamism
3. Asymmetric power projection

WASHINGTON CONSENSUS

In 1989, John Williamson of the Institute of International Economics in Washington D.C. proposed a set of policy reforms for Latin American countries to adopt for development and progress. Because the IMF and World Bank have applied these principles categorically to countries in financial crisis as a return for their bailouts, it came to be called the **Washington Consensus**. These included the following:

1. Small budget deficits
2. State expenditure focus on education, health and infrastructure
3. Broaden tax base and cut rates
4. Financial liberalization and market-based interest rates
5. Unified exchange rates (to produce non-traditional exports)
6. Low tariffs (10% to 20%)
7. Foreign direct investment encouraged
8. Privatization of state-owned enterprise
9. Lower barriers to entry of new business
10. Secure property rights at affordable cost for informal sector

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