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Futurama

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Abstract: The two Democratic leaders who have recently earned, for their achievements, the Nobel Prize for Peace, Jimmy Carter and Al Gore, are international icons. There is scarcely any recognition that globalization involves integration of the national economy into the international economy on other dimensions such as flows of technology (i.e., patents) and on flows of humanity (legal and illegal migration) and refugees that have occupied center stage since the 1980s.

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Full Text: The two Democratic leaders who have recently earned, for their achievements, the Nobel Prize for Peace, Jimmy Carter and Al Gore, are international icons. Carter introduced human rights into American foreign policy; Gore took up the cause of global warming. (President Obama, of course, also received a Nobel but can hardly be said to have earned it.) The career trajectories of the two have been very different. Carter had the advantage of having been the president. Carter therefore had political success on his CV. But Gore, a man of exceptional talent, had failure on his; and that surely lit the fire under him for overarching success in some other way. So while Carter continued working for human rights, as in his bold writings on the Middle East peace process, and even went so far as to build huts for the poor in Central America, Gore chose a different career path, deciding to think and write big. He surely succeeded beyond his wildest expectations as the author of *An Inconvenient Truth*. But his phenomenal success had little to do with science (which has remained somewhat controversial: many of us remember for instance the not-too-distant scare about global cooling, also from climate scientists) and much to do with the photographs of polar bears caught on drifting ice as glaciers melted. An image like that is what we all need when we push our pet agendas. Alas, none of us is so fortunate. Nor is Gore as he turns now to writing about our future. Speculating about the future has attracted the likes of Jules Verne, whose many outlandish fantasies eventually came to life. These writers let their astonishing scientific imaginations run wild. However, there are also those who entered into profound speculations on the future progress of mankind. Would it be marked by progress or would we descend into a dystopia instead? Darwin had captivated his contemporaries in science with the theory of the "survival of the fittest," and this had influenced deeply social philosophers such as Herbert Spencer, who remarked drily that "the ultimate result of shielding men from the effects of folly is to fill the world with fools." He thought that society left to itself would travel down the path of progress, ushered in by successive scientific advances. But then we also had the inevitable opposing reaction, signified most eloquently by Aldous Huxley in *Brave New World* and George Orwell in *1984*; they debunked the very idea of progress. But the dominant approach to future gazing today is different. Many want to forecast the future with a view to corrective policy action. If lemmings are moving toward a chasm, you want to predict that they will go over the cliff if they do so; the corrective action then is to set up a diversion so they will go down a different path and will avoid the disaster. This is what Gore sought to do with *An Inconvenient Truth*: he identified a future where global warming, unchecked, would produce several disasters, and then he proposed remedies. It is also his main motivation for divining the future, if no action is taken, in several areas of interest to him, such as the globalization of the world economy. The problem Gore faces in the bulk of this book therefore is that his identification of problems, and his proposed solutions, are not compelling. His erudition is considerable but is necessarily limited since he casts his net wide, and he is both unfamiliar with important issues pertinent to his analysis and also shallow in his prescriptions for remedial policies. I will

illustrate with two prime examples. He writes about Earth, Inc., or what is commonly called Globalization. Here he confines himself to "outsourcing" and "robot sourcing," the latter being simply labor-saving technological change. He also writes about capital flows. There is scarcely any recognition that globalization involves integration of the national economy into the international economy on other dimensions such as flows of technology (i.e., patents) and on flows of humanity (legal and illegal migration) and refugees that have occupied center stage since the 1980s. Gore's basic mistake is to assume that both outsourcing and (labor-saving) technological change reinforce each other in putting downward pressure on our workers' wages today. But students of globalization such as myself have argued over the past two decades that there is a plausible alternative "narrative." That narrative contends that technological change puts downward pressure on the wages of blue-collar workers and that, with the bulk of their wages being spent on imported labor-intensive goods such as flip-flops and low-quality apparel, often produced in the developing countries, freer trade offsets (instead of reinforcing) the adverse effect of the change. Gore again buys implicitly into the scenario where diffusion of our innovations to the developing countries such as China and India, and their decision to produce more skilled manpower, will put pressure on us because they will wind up developing expertise in producing goods where we had the advantage and therewith lowering our "terms of trade" (the prices we fetch for our exports). Yet, research by the economists Robert Feenstra and David Weinstein has shown that, while they will become more "similar" in their endowments to ours, this also means that trade in "similar products" will increase. Indeed, modern trade, and the gains from trade, occur hugely in similar products, or what is sometimes called "variety." The problem in this world of competition among similar products is that comparative advantage is now fragile: it has a "knife-edge" quality. One day you have it; the next day you do not. Almost every entrepreneur has a rival breathing down his neck; and this need not be from China or India, with their "low wages"--what Gore frets about--but may be Poland or France or Sweden. There are three implications. First, firms need flexibility in firing if they are to hire. Second, we can no longer assure economic security for workers by giving them lifetime employment. The security has to be for the worker herself, unrelated to specific occupation and employment. Third, the volatility also means that we can no longer expect firms to provide training and hence "human capital" to blue-collar workers who can be expected to leave at the next sign of trouble at their plant or firm. We therefore have to provide this human capital through efforts by unions, employers, community colleges, etc. Gore also accepts uncritically the notion that we are doomed to greater inequality in a globalized world of trade and multinational investment. The evidence is more mixed than he reports, based on the assertions of my colleague Joseph Stiglitz, whose conclusions are always more obvious than his arguments. The Indian evidence, for example, shows that growth has been inclusive: rapid growth, facilitated by the opening of the economy to trade and other reforms, has pulled more than 200 million of the poor above the poverty line. The well-being of marginalized groups such as untouchables and tribals has also improved. Inequality shows no clear trend either. Given Gore's justified reputation on climate change, a disappointing feature of Gore's book is in the chapter titled "The Edge." I agree with him that the evidence on climate change, and the contribution to it by man-made carbon emissions, is about as good as science can provide; and he is persuasive in his sketch of the scenario of the dangers that global warming, unchecked, hold for mankind. Where he fails is in the remedies that he discusses. To focus on just one issue: there is now agreement from the last meeting at Cancún on the attempted renewal of Kyoto Protocol that \$100 billion be found annually to create new technologies of mitigation and adaptation to climate change. It is expected that a significant share of this will be public funds. We have the precedent that public monies should largely be used to create public good: thus the new seeds under the green revolution were publicly financed and they were available to everyone virtually for free. Should we then not expect the green technologies developed with public funds to be available for free to Mars, China, and India? But, to my knowledge, Gore has not embraced this proposal, which would make, say, India accept more ambitious targets of carbon reduction because it would reduce the cost of doing so. I would not make the ferocious charges that Gore levels at the opponents of climate

change (see page 283). But may I wonder whether the reason for Gore's omission is that he is heavily invested in green-energy stocks and would like to see public funds to be used only for private payoffs by these firms? The good in the book is therefore offset by the bad. But even the bad will produce good if it irritates us into thinking harder about the many issues that Gore correctly insists we must confront. Jagdish Bhagwati is university professor at Columbia University and a senior fellow at the Council on Foreign Relations. He is co-author of Why Growth Matters (Public Affairs , April 2013).

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