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Celebrating a Free-Market Economist
By Pranay Gupte, Special to the Sun

One week from today, a host of Nobel laureates, academics, press luminaries, foreign-policy and business leaders, politicians, diplomats, and even the secretary-general of the United Nations will gather at Columbia University to honor a tall, bespectacled Indian born intellectual on his 70th birthday.

The celebrants will deliver speeches about how Jagdish Bhagwati has transformed contemporary developmental thinking. They will acknowledge his seminal role in moving the developing world from its postcolonial romance with socialism toward embracing freer markets. They will cite his influence in accelerating liberalization of global trade regimes.

They will note that leftist academics ridiculed his early criticism of knee-jerk state intervention in promoting economic and social development, and they will surely point out that his analysis has been vindicated as third-world nations have jettisoned state controls and opted for open economies. Mr. Bhagwati's striking phrase "pull-up strategy" has entered the lexicon of policymakers, dislodging the once-popular leftist put-down of growth policies as "trickle-down" economics.

The guests at Columbia next Friday will refer to his steady stream of bestsellers, academic treatises, widely quoted opinion articles in major publications - and his ubiquitous presence on broadcast shows and the lecture circuit, where his ripostes, accompanied by trademark giggles, have made Mr. Bhagwati a popular figure.

Some of the celebrants may even wonder aloud why the Nobel Committee has overlooked him so far while rewarding other economists who have had a sustained record of failed prescriptions. His theoretical work in international trade is universally regarded as worthy of a Nobel Prize, whereas he trumps most Nobel laureates in his impact on policymaking.

And they may wonder what it is that enables Mr. Bhagwati to retain his perch in the space where theoretical economics fertilizes public policy.

On that last point, the celebrants at Columbia on August 5 are likely to get the answer that the honoree offered to The New York Sun yesterday:

"Words matter, as George Orwell famously said, and ideas matter.

"I believe in creating knowledge," the professor said. "But then it must be used for advancing the public good. Knowledge and virtue are the twin attributes of a great economist in my view."

Over an eclectic lifetime, Mr. Bhagwati has created and used economics for social purposes. But many economists have also professed to work for the social good - and actually done harm. One example of such well-meaning but unproductive intellectualizing is Mr. Bhagwati's fellow Indian economist, Amartya Sen, whose embrace of public-sector white elephants and other leftist prescriptions contributed to India's nearly three decades of abysmal growth and consequent increase in poverty.

By contrast, Mr. Bhagwati's prescriptions of openness in trade and foreign investment and other economic reforms have led to accelerated growth and poverty reduction in the last 15 years - to the point where President Bush has said he expects India to become an economic superpower.

"My views were contrarian at the time in India," Mr. Bhagwati said yesterday. "And they made me unpalatable to the huge numbers of intellectuals and economists who were convinced of the wisdom of their mistaken views. But I believe that a professor can do public good only by becoming a public nuisance. He will be invited to fewer parties - but so what?"

Of course, next week's party at Columbia - on his 70th birthday - suggests that now there isn't much likelihood of any dearth of invitations; indeed, economists and policymakers representing the entire range of political views, from Martin Feldstein on the right to Paul Krugman on the left, will be in attendance to applaud him.

What is noteworthy about Mr. Bhagwati's beliefs, however, isn't that he's been consistent about espousing them for nearly five decades.

What's striking is that freer markets and openness to the world economy isn't where he started.

Nor did he start with any particular resolve of becoming an economist.

The son of one of India's most famous jurists - and a Supreme Court justice - Natwarlal Bhagwati, Jagdish expected to become a lawyer. His older brother, Praful, had joined the family trade, and went on to become the chief justice of the Indian Supreme Court (and later a renowned human rights jurist).

It wasn't until Mr. Bhagwati got to St. John's College at Cambridge University in Britain that the notion of a career in economics formed in his mind.

That's because he came under the tutelage of prominent economists such as Joan Robinson and Lord Kaldor. They saw unusual promise in him, just as they did in Mr. Bhagwati's close friend and a friend from college, Manmohan Singh. They spawned in both men a fascination for Fabian Socialism, that philosophy of benign state intervention popularized by Beatrice and Sidney Webb.

Mr. Bhagwati, like Mr. Singh, fell under their spell. Decades later, however, both men collaborated - one intellectually and the other through politics - in unshackling the controls and inward looking policies that had proliferated like a spreading stain in earlier administrations, starting with India's founding father, Prime Minister Nehru.

Theirs, in fact, has been one of the most remarkable professional associations and personal friendships in contemporary policymaking and economics.

At a lunch that Mr. Singh hosted in 1992 for American CEOs, when as finance minister, he was implementing massive reforms, he pointed to Mr. Bhagwati and his wife, Padma Desai, also a celebrated economist. He said that, had India quickly adopted the suggestions the couple had made for economic reforms in their book on India in the 1960s, the CEO lunch would have been gratuitous: The CEOs would already have invested in India.

Mr. Bhagwati fought for long - and with eventual success - the view that developing countries could not export successfully, arguing they had become victims of a harmful import-substitution strategy.

With this success under his belt, he turned next to the problems of the global trading system. He was invited by the late Arthur Dunkel, then the director general of the General Agreement on Tariffs and Trade to be his first economic policy adviser.

A few weeks ago, in fact, he was part of an expert group at the World Trade Organization that produced an influential report on the future direction of the institution. And U.N. Secretary-General Annan recently made him a member of his advisory group on Africa.

Mr. Bhagwati has already advanced the debate on assistance to Africa by writing that a distinction should be made between aid spent in Africa and aid spent in America for Africa.

"One must be cautious about the former, because there are many obstacles within Africa to using expanded aid productively," he said. "Much more money can be used here to aid Africa by developing vaccines and cures for African ailments, for example."

Why Africa?

"Working on Africa returns me full circle to the developmental problems I started working on in the early 1960s," Mr. Bhagwati said. "Our common humanity requires us to assist Africa. How best to do it is the last remaining challenge for developmental economists. We cannot afford to fail - for me, Africa represents the final challenge of my career."

Final challenge? Not likely.