

[ITPAA Stories](#): John Pardon: The Ideological Assault on Dobbs [admin](#) on Monday, October 04 @ 21:28:41 CDT

The Ideological Assault on Dobbs:

Jagdish Bhagwati's "Mad" and "Muddled" Views

By John Pardon

Last Month, on September 11, the anniversary of terrorist attacks on America, the Wall Street Journal, a pillar of free trade enthusiasm and an unapologetic supporter of outsourcing American jobs to Third World countries, published a commentary by Dr. Jagdish N. Bhagwati entitled "Muddled and Maddening". (The article is available online at the Council of Foreign Relations web site: http://www.cfr.org/pub7329/jagdish_n_bhagwati/muddled_and_maddening.php.)

Bhagwati's comments are significant. Bhagwati, an internationally known economist, free trade and "globalization" proponent, author and professor of economics at Columbia University has launched an attack to undermine the credibility and integrity of American free trade and outsourcing critics in the media and politics. His attack, considered "juvenile personal abuse" by Eamonn Fingleton in the American Standard ("Stop the World, 09.17.04) is indicative of how insulting, mean-spirited and non-intellectual the outsourcing proponents have become. (read more)

The title of Bhagwati's WSJ commentary is derived from his statement that John Kerry "has allowed himself to be forced into such muddled and maddening positions on trade policy that, if one were an honest intellectual as against a party hack, one could only describe them as the voodoo economics of our time." Bhagwati's states that "The truly disturbing sin of commission of the Kerry campaign, however, has been to surrender to the hysteria over 'outsourcing.'" Offshore outsourcing of American jobs then is much ado over nothing, according to Bhagwati.

While elements of Senator Kerry's political base -- union members and traditional Democrats may seem the clear target of Bhagwati's criticism, appearances can be deceiving. (Shame on those Americans concerned about their jobs and livelihoods anyway; they're standing in the way of globalization -- progress according to the Bhagwati line of thought.)

Equally, and perhaps more important to Bhagwati, are other influential public critics of free trade and offshore outsourcing -- people who will not stop talking about the mounting American middle class job losses and the real reasons behind them. CNN's Lou Dobbs is, of course, clearly one of most well known and compelling public critics.

Bhagwati strikes an interesting pose in this article. He portrays himself as an honest intellectual. He characterizes free trade and outsourcing criticisms as "hysteria". This is hardly the sort of conduct one expects of a detached academician.

But then, that is the problem. Bhagwati isn't a detached academician or honest intellectual. He's an ideologue advancing an ideology: free trade is an ideology. Offshore outsourcing, movement of jobs to offshore "subsidiaries" and Third World contractors, importation of low-wage "guest" workers are all the monstrous offspring of free trade ideology.

In reality, Bhagwati is the very thing he accuses Kerry of being or succumbing to: a "party hack". Bhagwati belongs to the "party" of ideologues committed to unrestricted free trade and offshore outsourcing of American jobs.

It is well to note that in recent months, American economists, some very notable, including Joseph Stiglitz, Stephen Marglin, Stephen Roach, Jeff Madrick, Paul Craig Roberts, C.W. McMillion, and Paul Samuelson have written excellent critiques challenging key assumptions of free trade and outsourcing. Are these trained economists "hysterical" and lacking in "intellectual honesty"? Clearly not. Has Dr. Bhagwati disproven their criticisms? The answer is clearly "no". (Interestingly, Nobel Prize winning economist Paul Samuelson taught both Gregory Mankiw and Bhagwati; now the teacher has some new, critical thoughts for which his former students are unprepared.)

Bhagwati's WSJ commentary was overall, inaccurate and one-sided as has been the content of his public statement for many months. This was no great surprise. The shock came from Bhagwati's attack on CNN television host Lou Dobbs, an open and honest opponent of outsourcing and free trade.

Bhagwati accuses Dobbs of "personal gluttony" and hypocrisy on the bizarre and unproven claim that Dobbs is likely a consumer of French brie cheese and burgundy wine. (Dobb's criticism of corporate "greed" provided Bhagwati with the contrived pretext for launching a personal attack on Dobbs for "gluttony", saying, "what is sauce for the corporate goose must be sauce for the journalist gander.")

This strange attack on Mr. Dobbs creates the opportunity to illustrate the silliness of Bhagwati's claims. Given Bhagwati's previous debates with free trade critics (notably Paul Craig Roberts), it is doubtful that his comments reflect a genuine misunderstanding of Dobbs' positions. Rather, Bhagwati, is engaging in a deliberate misrepresentation of the free trade and outsourcing critique forcefully and publicly advanced by Lou Dobbs.

Truth be told, if Lou Dobbs does consume French burgundy wine and brie cheese (as Bhagwati charges), this is not a contradiction of Dobb's position on "free trade" and outsourcing. It's not a betrayal of America, American workers, Kraft, and Milwaukee beer brewers. Like many other critics of "free trade", Dobbs is not opposed to trade generally. (It's a straw man argument to urge the view that criticism of "free trade" implies a death-grip embrace of inflexible and blanket protectionism.) The debate isn't "trade v. anti-trade"; it's about the effects of unlimited and unconditional access to the American marketplace and global labor arbitrage. It's a debate about the political and corporate decisions which shape the lives of American workers, American citizens and wider American society.

Dobbs, like many critics, is opposed to outsourcing middle class jobs to low-wage nations of the undeveloped/Third World where labor cost differentials are clearly tied to societies which do not bear the same social and living costs as those of developed nations and the citizens of those nations (e.g., the United States, Canada, U.K., Germany, France, Australia, Japan, etc.)

A closer look at India helps us to see how different are the situations of the U.S. and the developing world and why workers in the U.S. cannot compete on a "level playing field" with Indians. India is the destination of choice for many corporations (Bank of America, IBM, Oracle, EDS, and NCR to name a few) intent on slashing their labor costs by reducing their American white-collar workforces.

India is, of course, now famous for attracting American information technology (IT) and many other "back-office" white-collar middle class jobs. (It's not just about call centers and help desks.) In India, widespread poverty, illiteracy, disease, pollution, sectarian violence and pre-modern public infrastructure co-exist with offshore "development centers" and American corporate "subsidiaries". Low labor cost has a way of attracting corporate attention.

Why are labor costs low in India? India does not have the sort of costly social, health and infrastructure programs commonplace in developed nations (sometimes disparagingly referred to as elements of a "welfare state"). Indians do not have the things which Americans and citizens of other developed nations (such as France) take for granted. Nor do Indians pay for the costly infrastructure common to developed nations. There is then, a basic and profound dissimilarity of conditions present in developing nations and developed nations which bears heavily upon the cost of living and doing business.

A careful observer notes that while India is a nation in transition, like many other developing nations (e.g., China), laws and law enforcement on economic, environmental, worker health, worker safety, public health and public safety

matters are reminiscent of 17th, 18th and 19th century U.S. and Europe. (Blunt spoken critics might call such conditions "backward", "archaic", or "primitive".) Poor Indians live in the streets of Indian cities and "shanty towns" in conditions of squalid misery and ill-health far in excess of anything found in the developed world; it's appalling.

The idea that workers in developed nations can and should compete with nations and people not supporting costly health, welfare and other social costs is a cruel farce. Competition on such terms, places the societies and workers of developed nations in a "race to the bottom".

Of course, Bhagwati presents the issue of trade in a light designed to make Dobbs and free trade critics look foolish. Bhagwati's argument is that consuming French brie and burgundy -- products of a First World workforce and society -- is no different than consuming products made in Third World nations. The absurdity of this premise is clear.

If the strange Bhagwati claim is true and Dobbs consumes burgundy and brie from France, this isn't a sign of hypocrisy. Purchasing goods made by workers and companies in another developed nation helps support the social and economic costs associated with a broad range of "modern" public health and public safety programs. (French brie and burgundy are not inexpensive; the consumer pays for the costs of production in the developed world). France then, is a society roughly equivalent to that of the U.S. and not an economic threat to American employers and workers.

There is no denying that the French produce excellent burgundy and brie; they have had centuries of experience. (Their triple cream brie is qualitatively better than Kraft singles and their burgundy is qualitatively better than Julio Gallo's.) But the French, by virtue of similar labor cost do not hold an absolute advantage over the U.S. in many categories of production or labor and their production of fine brie and burgundy may not even constitute a comparative advantage. American producers and American jobs are not at risk because of the presence of French brie and burgundy in the U.S. market. (Wisconsin cheese makers and Napa/Sonoma/upstate-NY wine vintners are not going out of business or moving production offshore due to imports of French brie and burgundy in the U.S.)

Bhagwati's attack on Dobbs and outsourcing opponents is interesting, not for the reasons which Bhagwati intended but because it is revealing. The holes in Bhagwati's arguments are more visible. The apparent strength of his free trade arguments more tenuous. Bhagwati ignores the real criticisms of outsourcing and attempts to obscure the issues by creating a ridiculous caricature of the free trade critique. Careful observers will conclude that Bhagwati's abuse of Dobbs, free trade critics or a "slip of a book" isn't compelling.

Indeed, it is the rigid, ideological, extremist supporters of free trade who are the real practitioners of "voodoo" economics. The mounting evidence indicating the failure of free trade policy cannot be explained away or ignored as the best middle class jobs in America disappear and true replacements for these jobs fail to materialize. Bhagwati, like many other outsourcing apologists, is standing on unstable ground. Fissures are appearing in the ground beneath free trade and outsourcing. They may not be so visible on Wall Street or in D.C. but they are widening. The fault line runs from one end of the U.S. to the other.

John Pardon is an independent writer and information technology professional. Pardon writes on topics of offshore outsourcing, guest worker visa programs, free trade policy and the politics underlying these issues. Pardon has been published in Computerworld and quoted in the LA Times, the New York Times, and eWeek. Pardon serves as policy analyst for Rescue American Jobs (www.rescueamericanjobs.org) and is affiliated with several organizations including, the ITPAA (www.itpaa.org), the TechsUnite project (www.techsunite.org) of WashTech (www.washtech.org) and Hire American Citizens (www.hireamericancitizens.org).