

WIDE ANGLE - THE DYING FIELDS INTERVIEW WITH DR. JAGDISH BHAGWATI

August 20, 2007: Dr. Jagdish Bhagwati, Professor at Columbia University and Senior Fellow in International Economics at the Council on Foreign Relations, discusses globalization and the future of India's economic growth with Wide Angle's anchor Daljit Dhaliwal.

DALJIT DHALIWAL: Professor Jagdish Bhagwati, welcome to *Wide Angle*.

JAGDISH BHAGWATI: I'm delighted to be on it.

DALJIT DHALIWAL: Why are hundreds of millions of rural Indians still living in abject poverty when India has had a quarter of century of rapid economic growth? Average incomes have doubled since the 1980s, and it's also one of the world's most rapidly growing economies.

JAGDISH BHAGWATI: Well, I think there are two answers to that. We lost more than a generation to very low growth rates because of very bad policies, economic policies. We had turned inwards. We had excessive intervention, knee-jerk intervention on everything, stifling creativity.

So we had in '91 – when the prime minister was finance minister – started the reforms; India had an inward flow of equity investment of \$100 million. And that's unbelievable. I thought a zero was missing. It wasn't. And trade – a proportion of the GNP – had shrunk, about the only country in the world which had done so. So we actually threw away massive opportunities where we could have actually grown faster. So we grew at about 3 1/2 percent per annum for about 30 years. During that period, poverty didn't decline really.

If you have a stagnant economy, it's very hard to pull people up into gainful employment through creating jobs. Then we change. And that's the question you're raising. You know, why is it that we have really–

DALJIT DHALIWAL: And did we change when Manmohan Singh, the current prime minister, became involved?

JAGDISH BHAGWATI: Yes, I think it began to change under Prime Minister Rajiv Gandhi, but in a sort of half-hearted way. And it really intensified after the crisis brought in the new government in '91 when we were virtually bankrupt internationally. And so we initiated a lot of reforms. And, in a way, the reforms came in partly because everybody was convinced by then that our policies were pretty awful and that we couldn't go on like this – very much like Gorbachev and Shevardnadze in Russia decided this was it. So you could not possibly go on the way it was declining continuously. And they had to change the system. So I think –

DALJIT DHALIWAL: Right. But what are the economic growth rates right now?

JAGDISH BHAGWATI: Economic growth rates then picked up to about 5½ - 6, then grew to 6½. And right now, the last three years, even higher to about 7½ - 8. Now, whether those will persist at those high levels, nobody can tell. But there's a good possibility that they will.

But during this period, we more or less increased the growth rate by over the previous pre-reform stage by about 75 percent, I would say, on the average. And your question is a good one. What has happened

to poverty despite this?

Well, we have brought 200 million people above the poverty line during this period. There's been a lot of debate, but now virtually even the people who don't like reforms have had to concede that, in fact, we have dented poverty.

DALJIT DHALIWAL: Would these have been people from the rural areas?

JAGDISH BHAGWATI: I mean the rural areas. The rural poverty itself, defined as a very low floor, has actually declined enormously and so has the urban. And now, I think what the documentary shows is that there are still pockets, you know, a substantial way to go. And this is why many of us were pushing for reforms, not because we like modernization and so on. Those are nice things to have, too. But simply because we saw it as the way to ameliorate poverty, which has been our concern ever since independence and even before that in the Congress Party resolutions and so on.

DALJIT DHALIWAL: But do you think it's helped the 700 million people who are still living in rural India – small marginal farmers in debt?

JAGDISH BHAGWATI: No, we still have a long way to go. Now, the documentary shows some specific problems. And we can discuss that. But essentially many of us argue that we now need to go ahead and intensify the reforms, broaden them. Not to turn back.

The documentary suggests in some places that the reforms were responsible. I don't think they are. They're actually a good thing. And the Congress Party did not lose, in my judgment, because poverty was ignored by the reformers. In fact, rural poverty was also going down fairly significantly, though huge numbers are still in poverty, unfortunately.

DALJIT DHALIWAL: You raised some really interesting points that I want to come back to, especially the politics. But let me ask you, what do you think is causing the suicides in Vidarbha, in the cotton belt area?

JAGDISH BHAGWATI: Let me say what I don't think is causing them and then come to the probable causes of what we saw in the documentary. It is not the reforms, in my view, at all. It is not the new seeds.

DALJIT DHALIWAL: The BT cotton seeds that the farmers are buying.

JAGDISH BHAGWATI: The BT cotton seeds. I don't think that is a major problem for cotton. The institutional structure within which the new seeds are coming in has to be fixed to prevent the kinds of outcomes you see in the documentary. I think the institutional support we had when new seeds were coming in at the time of the Green Revolution, on wheat and rice, led to very substantial impact on poverty because it led to enormous increase in productivity.

At that time, many of us thought that the Green Revolution, as it was called, would lead to the red revolution, much like the documentary is sort of suggesting when the activist, that wonderful man, throws up his hands and says, "Where do we go from here?" And there's no hope. But when people have no hope, they do think of the red revolution. And so it was he who was a little bourgeois saying that but not the people who actually feel oppressed. So, at that time, the Green Revolution had one institutional feature, which was that there were price support programs. So if you were the rich farmer and you happened to be

taking the risk, you had access to credit; you could absorb downturns if something went wrong. So you'd go ahead and invest in the new seeds.

I'm a poor farmer. I'm not able to do that. So I'm talking about the Green Revolution where the problem is arising from the rich farmers investing and the poor farmers not being able to invest. That would lead to a fall in prices [because the rich farmers would grow high yield varieties – the resulting increase in production would flood the market and the prices would decrease]. And the poor farmer is continuing to produce the same amount as before. And then he gets wiped out, you see? So that's how we thought the red revolution would occur. As it happened, it didn't work out that way for a very simple reason, that the government had a price support program.

DALJIT DHALIWAL: Right. Well, I want to go back to this price program because it's there for wheat and for rice but it's not there for cotton.

JAGDISH BHAGWATI: It was there for wheat and rice and supposed to have been partly for cotton but never has been implemented properly. So this is why the farmers are complaining about low prices. Now, just to clear the air about the WTO and the subsidies abroad, there's nothing required by the world economy's rules at the World Trade Organization that says you can't operate a buffer stock program. So if the prices fall, you buy up. And if the prices rise beyond [you sell low so the buyers don't get hurt by unaffordable prices]—you know, because the consumers can get hurt also. And many of the consumers are also poor.

DALJIT DHALIWAL: So is that what you're saying? That the Indian farmers are complaining about the [volatility of prices?]

JAGDISH BHAGWATI: They have a legitimate complaint about the ups and downs of prices. But I think where we would be wrong would be to infer that this is due to the fact that there are subsidies in the United States or that we're importing stuff. There are not so much imports. We have mainly an exporter of about \$3 billion worth of cotton right now and less than half a billion of imports.

So I think we should have that price support system, which I don't see we have. And I think we need to be very careful about doing it. And there's nothing which prevents us from doing it except amnesia, neglect, or the inability to say that what we did for these other major crops we need to do for cotton, which is also a major crop.

DALJIT DHALIWAL: But when you look at the film, do you go away with any sense that these deaths are related to the farming crisis in Vidarbha?

JAGDISH BHAGWATI: They get accentuated. All of them are indebted farmers – the ones you see in the movie. Everybody who has been committing suicides around the country – there have been surveys – is not necessarily indebted in an acute fashion. But most farmers are in debt. And the grossest form in which so far we used to see its social effects was in terms of bonded labor. Farmers who are indebted to the money lenders traditionally, from the forefathers' times, had to supply children for bonded labor. And so the Supreme Court came out with a judgment freeing bonded labor. That was a very major judgment.

DALJIT DHALIWAL: Right. But none of these farmers are bonded laborers. I mean, they actually own. There are small marginal farmers who own their own plots of land. And the implication seems to be, and correct me if you think I'm wrong, that the new seeds aren't going to drive you necessarily to commit

suicide. But if you are dirt poor to begin with and then you take out a loan at 100 percent from a money lender which you know that you're not ever going to be able to pay back, that is causing farmers in Vidarbha to take their life.

JAGDISH BHAGWATI: Yes. You're absolutely right on that. Now, you have to ask why do highly indebted farmers now begin to go for the new seeds, right? Because during the Green Revolution that wasn't the case. The complaint was that they were not investing, even though credit was available through state institutions like the State Bank of India.

DALJIT DHALIWAL: But why do they need to buy the new seeds? Why do they need to buy these Bt cotton seeds in the first place? What's wrong with the sustainable seeds that can be used in organic farming?

JAGDISH BHAGWATI: There's nothing that prevents them from staying put with old technology. So the question we have to ask is, why are they going into the new technology which is a high-risk one for them. First, unlike in the Green Revolution when we had a massive agriculture extension service set up, this time around, it's the commercial firms which are doing it. The commercial firms, clearly from the documentary, some of the middlemen they employ are actually con men who are trying to simply get farmers to sign up.

DALJIT DHALIWAL: So what do you think is behind Vidarbha's farming crisis?

JAGDISH BHAGWATI: I think it's clear from the documentary that although there are many, many factors – like trying to get your children married and I've read about alcoholism – it appears that the major problem is that highly indebted farmers are proceeding to borrow yet more money to be able to buy the new seeds. And this is exactly the opposite of what happened earlier with the new varieties of wheat and rice – which used to be called the Green Revolution – where the problem was getting the smaller farmers to actually innovate and it was left to the large farmers to do so. Now, these farmers I think, cotton farmers, are doing it because of high indebtedness. They are essentially taking a gamble. Because when you're highly indebted and you see the prospect of a very considerable gain from either going to the casino or investing in high-tech seeds–

DALJIT DHALIWAL: Do you think that they shouldn't be buying these genetically modified cotton seeds?

JAGDISH BHAGWATI: I think it's a very high-risk gamble. No institutional support will ever be able to rescue you completely if you lose a gamble like that. So I think the best thing for them is to retreat back into conventional cotton.

Because it's the new cotton variety that is genetically modified, it's not just a matter of sticking them into the ground and getting a higher productivity. It's a very complex process, which was true even for the hybrid varieties of rice and wheat which we had. But we had a very major agricultural extension.

So obviously it took some years to sort out all the problems associated with it. You had to have irrigation and fertilizers available. So when you have a complex technology like that, the prospect of the gamble failing is very high in my view. And secondly, the government price support isn't forthcoming the way it was in the earlier period of the Green Revolution.

So I think given these two absences, I would advise people — educate them into not taking this gamble at all because you see an astonishing number of suicides. It's so tragic, the documentary. These are not

landless laborers you're looking at, who are the truly poor. These are the marginal farmers who are actually being reduced to suicides.

DALJIT DHALIWAL: But why do you think that they're buying these genetically modified seeds? Why not just stick with the sustainable varieties and do small-scale organic farming?

JAGDISH BHAGWATI: Because words like "sustainable" and "organic" mean something to you and me. But they're not really anything meaningful. I think the proper way to put it is conventional seeds, right? The ones which we've always had, which they're used to. And they have some knowledge around that, right? Because that is something the fathers, grandfathers, great-grandfathers, et cetera, for decades and centuries have done. So they have an idea of the technology, of these kinds of conventional farming.

They have absolutely no idea about the complexities of the new technology which they are facing. So there really were innovators. But they're really risk takers and in a rather fragile and foolish sense. And con men who come in and tell them to take a gamble. They flash all kinds of things in front of them, the way any person trying to sell something new will want to do.

So what they need is to be protected institutionally from these kinds of gambles, which would imply, in my view, very heavy education.

DALJIT DHALIWAL: Well, let's get into the Bt cotton seeds in a little bit more detail. You've met and debated with Dr. Vandana Shiva who is the activist that we meet in the film. And she speaks for those that believe that Indian farmers are better off switching to sustainable seeds and to grow organic crops. I mean, do you think that that is the answer if the Bt cotton seeds are causing indebtedness?

JAGDISH BHAGWATI: No, I don't think so, because they do lead to higher productivity if applied properly. I mean, genetically modified products, of course, raise a lot of questions for environmentalists. And, you know, there are some legitimate concerns. But so far, I'm not convinced that they're Frankenstein foods as they're called in England.

DALJIT DHALIWAL: But they're expensive. And they cause indebtedness. In Vidarbha it's causing suicides.

JAGDISH BHAGWATI: But you asked me if Vandana Shiva would like these seeds to disappear from view, right, not into the ground but, just out into the dump, because she's against those seeds period. Now, if you're interested in increased productivity and if you can convince yourself that these are not Frankenstein seeds, so there are no environmental spillovers then clearly you want them. But, at the same time, you want to protect the small farmers and the marginalized farmers from taking risks which they shouldn't.

DALJIT DHALIWAL: I'm trying to figure out why are the farmers in Vidarbha using these seeds when, one, they're expensive. Two, they're causing indebtedness. Three, the land isn't irrigated. Four, the crops fail. And five, they're not reusable. You get one crop if you're lucky if the rains come. What's the point?

JAGDISH BHAGWATI: People are not always rational. And when you're taking bets, I think you are actually betting on favorable outcomes. I think they're taking gambles because they're highly indebted. And occasionally they will do that because, in fact, even some of the farmers' wives, widows were saying in the documentary that there was a son's wedding. There were some extraordinary expenses. So, they

had to go to the money lender.

So, given the fact that they need money and are always taking money suggests also that they would, in fact, look for a way out. And when salesmen come around and say, "Look, you can actually get an enormous pay off." And they exaggerate it, of course, and give you the best possible outcome, right, not an average outcome between good and bad. They fall for it. And I think it's clear that that's really what's going on the part of these farmers.

DALJIT DHALIWAL: So they're vulnerable, and they're vulnerable because they're illiterate and they're vulnerable because they're poor and there's nobody there to help them so they believe the promises of these genetically modified seeds are going to change their lives and make them—

JAGDISH BHAGWATI: wealthy? Yes, I think that's what it is. And then they get even more deeply indebted when that happens. And this is true generally anyway. They don't go to the local bank or something.

In some of these areas there's probably nobody. There's no Grameen Bank. There's no State Bank of India which is the government-sponsored very old institution which, in fact, has opened up, since the '50s, branches all over rural India to lend monies without collateral. So, they've had big losses.

DALJIT DHALIWAL: It's a difficult situation. Because if the money lenders weren't there what would happen to the men?

JAGDISH BHAGWATI: They were actually complaining that the money lender was no longer giving money. But what I'm saying really is that once you get into these kinds of situations where you're more and more indebted as a result of different needs and you are used to a relationship with these people, you then are basically locked into them. And some of them are even talking about fraudulent practices on the part of money lenders where they're getting them to sign papers where they've no clue about what they were signing.

DALJIT DHALIWAL: You're talking about the blank pieces of paper with a stamp.

JAGDISH BHAGWATI: Exactly.

DALJIT DHALIWAL: And they put their thumb print there.

JAGDISH BHAGWATI: I mean how extensive is that fraud? But that is, again, something where clearly governmental regulation is necessary in areas where you have it. Which begs the question: Is there something going on in these districts where the money lenders and the powerful elites, the landed interests, the bigger guys, whether they are actually in cahoots with the police?

I've heard of that, of course. We all know about it in the state of Bihar, which is utterly futile in this regard, but in Maharashtra I'm a bit surprised. But there seems to be some evidence of that in the documentary. So, I think it's a mix of different factors which is really causing this.

DALJIT DHALIWAL: What can be done though about these money lenders, in some cases, who are charging 100 percent interest off small marginal farmers?

JAGDISH BHAGWATI: When I was a student we were reading about agricultural indebtedness, and I'm talking of 1954 in Bombay when I was a student. The agrarian question was a big one. And all of these practices were there. Of course, they didn't have the possibility of taking gambles of this kind.

But due to marriages and alcoholism, a variety of factors, ill health which they couldn't cope with and which led to extraordinary expenses, a lot of farmers were indebted. And so what can the government do in this case? Now, I think the only thing you can do is preaching Gram Swaraj, the Gandhian village self-rule. It's called Gram Swaraj in India. As soon as you give enfranchisement to the people that begins to bring countervailing pressure. Another thing is for the center to come in from time to time whenever they see something.

DALJIT DHALIWAL: You're proposing government intervention? You're a free trader aren't you?

JAGDISH BHAGWATI: Yeah, a free trader doesn't mean I'm for free everything or, you know, for free love and free whatever you want me to be. Free trade is just an instrument for achieving prosperity and reducing poverty and reducing these kinds of outcomes. So, I think when you have local situations where you have local power structures, different ways of getting at it. And Elliot Ness coming in and getting at Al Capone, the Feds had to move in, right? So, this is what people are doing in Bihar and maybe in Vidarbha something like that is necessary.

DALJIT DHALIWAL: Well, in 2004 the last government lost the election because it had ignored the plight of farmers. Manmohan Singh, the current prime minister, did promise a relief package of measures to ease the plight of these farmers in the Vidarbha suicide. But what happened to that promised aid?

JAGDISH BHAGWATI: Well, because as the president of India was also shown in the film coming in to meet the widows, he mentioned two programs which have been carried out by the national government and by the Maharashtra government. Just a couple of years ago they distributed something like 12,000 cows to the widows. Now, it's highly doubtful whether this was a very sensible way to give relief because widows would have to then be plowing the land. They'd have to be buying fodder. Some of the widows you show in the documentary are very smart and probably are running the show even while their husbands were alive. But most of them probably are not into business any more than widows in the United States seem to be able to manage.

DALJIT DHALIWAL: So what do you think would be the best way to help them?

JAGDISH BHAGWATI: Cash and we can do that. I think we need to give money. So, many of the widows, something which the documentary didn't show, they haven't been using the cattle for milk production. Milk production hasn't really gone up in these areas.

But actually what they're doing is what traditional Hindus, who are very smart, have always done. They won't eat a cow. But they'll happily give it to the local Muslim to slaughter it so that way they keep their principles and their profits. So, but why not give it directly, right, and eliminate sort of all these transaction costs.

So, because this is not a system-wide problem in the sense of it is not a question of the agricultural economy being in distress. It is a localized problem. It is a manageable problem where relief would not cost that much. If you're relieving 50 percent of the rural population you'd be in deep trouble. Because where would you get the money from?

DALJIT DHALI WAL: Apart from cash incentives is there anything else that can be done to address the problems of poor, rural farmers in Vidarbha?

JAGDISH BHAGWATI: Yes, I think we need to go in for price support programs. We need to go in for education about the complexity of the gamble they would be taking.

DALJIT DHALI WAL: What is it that they don't understand about these seeds though? Why do they need to be educated about the seeds? What's wrong with them?

JAGDISH BHAGWATI: Just think of a mental experiment. I'm 73. And when I go and buy any equipment, a stereo, whatever, I get all the modern stuff with it, you know, incredibly sophisticated things I can do with it. But all I do is "on and off," which is all I can handle. And there's this funny joke about.

DALJIT DHALI WAL: Fast forward and reverse, you don't do that?

JAGDISH BHAGWATI: Even that's difficult for me. So, there's this joke about this father telling this child, "Here is this chip. Would you put it into my television for me so I can prevent you from watching adult movies?" So, he's asking his son to establish self-censorship.

DALJIT DHALI WAL: But seeds aren't as complicated as a VCR. I mean, you take them out of the bag. You plant them. At least you hope for rain. And then you hope the land is irrigated, right.

JAGDISH BHAGWATI: This is what we call the urban bias when you make remarks like that. Because I don't think we've got a clue any more than they have. And so I think when you look at the history of the Green Revolution, for example, of the hybrid varieties of wheat and rice, it took years to kind of debug them. And it's not a matter of putting seeds into the ground and bringing them up.

Even the plants you have at home you've got to make sure they grow, water them, whether to put them next to the window or not. So, everything is a more complex technology. And here are farmers who are generally illiterate from what I could see, who haven't got the ability to even read pamphlets you would give them, just as I can't read pamphlets on the different pieces of equipment that I get into the house.

So, I think that is terribly important. In the long run literacy is also important for these people. But that's not a short solution. And finally I think an important point, you may want to ask me about, is the role of the activist who is also very important.

DALJIT DHALI WAL: Tiwari, the farmer activist in our film, basically says, "Show me the money." The implication being that investment is so poor in [the agriculture] sector. Why is it lagging behind?

JAGDISH BHAGWATI: Well, first it wasn't lagging behind in a big way because the government actually actively pushed the Green Revolution with very good effects on poverty reduction and a whole lot of areas where the Green Revolution took root. So, the government did do that.

However, when Prime Minister Nehru died and was succeeded by Prime Minister Lal Bahadur Shastri who died in Tashkent, he wanted to change India's agricultural and India's development strategy. And he wanted to go back to the villagers in a long way. He was a sort of Gandhian but not as extreme as Mahatma Gandhi.

That time the entire left-wing establishment, Calcutta starting from there and all the way to Delhi, many of the economists I know rose in revolt saying this was entirely reactionary. Today the left-wing parties say, "We have neglected agriculture," never connecting it up with the fact that they identified industrialization with India's best development strategy. So, there was that ideological problem. Now, why the left did that, that's hard to understand.

DALJIT DHALIWAL: China's been able to do that.

JAGDISH BHAGWATI: Well, when you look at China, you would have expected the Communist Party at least to see that Mao had repudiated the Stalinist approach to industrialization as a way out and creating the surplus by liquidating the farmers. Mao had actually gone ahead and focused on the agricultural sector. But somehow in the Indian context the influence of Stalinism was much greater among the leftists than that of Mao.

DALJIT DHALIWAL: So, basically India is trying to jump from an agrarian society missing out the industrial aspects of the revolution and has jumped straight into information technology.

JAGDISH BHAGWATI: Yeah, we've done that partly also because the way we industrialized [was] with policies bringing in very little investment. Most of the Far Eastern economies which industrialized much more rapidly than India went through the intermediate stage of low level, labor-intensive manufacturers of the kind of you get in Ludhiana and along the road from Bombay to Pune. Those are the ones that create massive demand for labor and would have really helped us reduce poverty more dramatically, when instead we have these big white elephants, public sector enterprises producing huge capital-intensive projects. That meant that even the growth we achieved had less impact on creating the jobs which is the machine which I said we were all keen on. That rapid growth would pull up people into gainful employment.

So, we lost out on two counts. One is we, for the reasons that I mentioned, did not develop agriculture which is where large amount of our poverty is. And, you know, everybody can't come to the cities, too.

DALJIT DHALIWAL: Why wasn't it developed if 700 million people are living off the land and that these are the people that are returning politicians to power?

JAGDISH BHAGWATI: Because, as I said, it was a top heavy system where the elite were extremely important in setting policies. Now, what has happened is that our democracy, itself, has not become stronger and has diffused to the rural areas. And this is where it comes back to why did the Congress Party won.

In my view it had to do with the fact that rural poverty began to diminish after rapid growth due to reforms. If you're Oliver Twist from Charles Dickens's you ask for more and you get less; when you are beginning to see that poverty is diminishing, you give up this attitude that nothing is going to change, a sort of fatalistic attitude. Around the early 1990s, people began to see that they could improve their outcome. So, they wanted more. And they went to the politics. So, in my opinion what happened with politics was the revolution of perceived possibilities or revolution of rising expectations. It had nothing to do with inequality or anything like that.

JAGDISH BHAGWATI: It was self-referential. Actually, there are surveys conducted by professors of

political science at Columbia. They've gone and asked people in the rural areas and, of course, in the urban areas, "Have you improved yourself in your own judgment in the last five years?" And more than 50 percent say yes they have.

So, what you have therefore is something that I told the prime minister. That look, this is not a repudiation of reforms. This is because most of them don't even know what reforms are. Like there are so many dimensions of the reforms. So, if you ask somebody, "Have reforms helped you?" that's like asking a foolish question.

DALJIT DHALIWAL: Right, so what is the status of Indian agriculture today? Is it unproductive? And if it's unproductive where that does leave the Indian farmer? Is his life doomed? Does he need to get off the land and go to the cities?

JAGDISH BHAGWATI: Yeah but that's a slow process. You see, this is what we've been observing because most of the reforms have been through the international sector, more in industrial licensing being eliminated, more rapid growth of manufacturers. I think a lot of people have come in from the rural areas into the urban areas. But we've got to go to the rural areas also.

So, I think when that activist in his own way says we've neglected agriculture he's right. And the reason, of course, is that we were ideologically vetted to capital-intensive projects which produce very little employment. We eschewed the path which most countries had adopted, particularly the Far Eastern economies which grew very rapidly and got a lot of people into employment of using what I call the Louisiana Model, with labor-intensive manufacturers.

This Green Revolution ultimately plateaued out. And then we didn't replace it with anything. So, at that stage we should have gone ahead and invested far more in this. And my worry is that since you asked about genetically modified products that are the modern source of increased productivity. That's kind of the modern Green Revolution in potential. And this is why I think we've got to work out ways in which unless it is really a Frankenstein food, right, or Frankenstein seeds, we have to work out ways in which we will increase its adoption while shielding the vulnerable.

DALJIT DHALIWAL: Well, if small scale farming in India is simply unviable, what is going to happen to the 700 million people who live on the land? What are they supposed to do, move to the cities, look for jobs? What kind of jobs would be available?

JAGDISH BHAGWATI: Maybe diversifying a way into services, this is the major growth in India has been in services—

DALJIT DHALIWAL: But can poor farmers do those jobs? And then don't you need to have at least a smattering of English sometimes to—

JAGDISH BHAGWATI: —which means setting up little shops and, you know, processing little foods and so on, so forth. Now you can import any car. And when I was there, there were just three cars. And now there are lots of them. So, there are lots of service shops. And who do you think does them? The people coming in from the rural villages.

DALJIT DHALIWAL: Why can't they go and work in factories?

JAGDISH BHAGWATI: In factories? Because that requires very rapid growth of labor-intensive exports. And we're beginning to move into that, the Louisiana Model I was telling you about, because so far it was for a huge amount of capital investment like in Bhopal Electrical or Bhopal Heavy Machinery you simply got very little employment.

So, it was not a labor-using thing. And the labor ultimately is in the rural areas. And it's migrating to the urban areas. So, that's one linkage through which you're getting the effect, in terms of poverty reduction. So, people are leaving the land. So, 700 million are not statically employed there. They're diversifying into other activities within the villages.

DALJIT DHALIWAL: But don't they then need to have some sort of industrial revolution to accommodate this migration of people from the rural areas to the cities or to the slums effectively.

JAGDISH BHAGWATI: Yeah and within the slums you're going to have to address the issues of their welfare as well. But the fact that we're now into output orientation of the kind which the Far Eastern economies have, means that we are now following those footsteps which are very productive for employment.

DALJIT DHALIWAL: But is India going to have an industrial revolution?

JAGDISH BHAGWATI: Well, we've had an industrial revolution. But it's a Soviet variety, very heavy capital-intensive and relatively unproductive. Now we're going to have it, because we have finally moved into export orientation we're going to be able to do it. Now, the Chinese also followed that path along the East Coast provinces where they've had about 600 million people employed there.

Now they're running into problems on two counts. First, they're not democratic. They violate human rights consistently which creates problems for their exports. And then because they don't have any countervailing power through civil society. There's nobody there to tell them about environment, about safety, because that's where the democratic processes are important, in countervailing power.

So, we have an enormous opening now at the expense of China. Because the Far Eastern economies were exporting labor-intensive manufactures. That's how they grew to the top.

Then they got into capital-intensive exports as they became richer. And China moved in. Now China is going to have all these problems we can move in. And after we've moved in, hopefully, Africans, will move in when we have transited.

DALJIT DHALIWAL: Is it the so-called trickle down effect of globalization?

JAGDISH BHAGWATI: No, it is called ladders of comparative advantage.

DALJIT DHALIWAL: Okay, I knew there was a term for it. But Dr. Bhagwati, I know that you are a believer in the benefits of globalization for rich and for poor nations. But how do India's poor cotton farmers compete in the global marketplace without any subsidies? They don't get anything from the Indian government [and are up] against American farmers who get something like \$2 billion annually in subsidies.

JAGDISH BHAGWATI: May I just – let us not be pessimistic. Our problem—

DALJIT DHALIWAL: Oh no, but it's a question, because this is something that the farmers in the film complain about. They feel that they're not getting a fair price for their cotton.

JAGDISH BHAGWATI: No, they complain about it because Vandana Shiva has told them about it.

DALJIT DHALIWAL: Well, what's wrong with that? Is she lying?

JAGDISH BHAGWATI: No, no, no, no, I would never say she was lying. She may have blinkers or something, but I'm not saying that either.

DALJIT DHALIWAL: She's not here to defend herself. But, anyway, make your point.

JAGDISH BHAGWATI: The WTO has already issued a dissertation at the appellate level against these cotton subsidies in the United States. So, the U.S. is going to have to remove them. And they're in the process of political maneuvering to do that.

So, we should not worry about it. The problem is going to disappear as far as cotton is concerned very soon. Because ultimately the one body that the United States respects as far as judicial decision-making is concerned is the WTO dispute settlement, because that's about the only international agency where poor countries and rich countries are balanced.

DALJIT DHALIWAL: But hold on a second. Didn't India actually reject pressure from the World Trade Organization at the Doha round of global trade liberalization talks because they were complaining that the richer nations needed to get rid of their subsidies and it was putting pressure on the United States to do that? In fact, I think it says that they didn't want to talk until the huge trade-distorting subsidies given to agriculture are gotten rid of.

JAGDISH BHAGWATI: The reason why cotton subsidies are going to cease being a problem is that Brazil brought a case at the dispute settlement body of the World Trade Organization – whose decisions are binding on member countries – attacking these cotton subsidies by the United States. And they won.

DALJIT DHALIWAL: But isn't the United States still giving subsidies to its cotton farmers?

JAGDISH BHAGWATI: Oh, yes. But it is on its way out because the dispute settlement decision is binding, and they're negotiating now on how to get rid of it. So, there are several decisions which are taken by legislatures where it takes longer to implement a decision, to vacate an ultra-virus decision – an ultra-virus measure – which has been found in violation of the WTO rules which everybody has signed onto.

DALJIT DHALIWAL: If the subsidies don't make a difference then why has India emerged as a leader, along with Brazil, among developed nations, demanding that the United States cut its U.S. subsidies?

JAGDISH BHAGWATI: No, subsidies do matter. There's no question about that. Remember, if you subsidize something to me—

DALJIT DHALIWAL: But my point is they're not cutting the subsidies, the E.U. and the United States are having real difficulty relinquishing those subsidies, and that was something that did come up at the talks

in Doha. And isn't that why India and Brazil walked away from Doha saying, "We don't want to talk" because there are huge trade-distorting subsidies given to agriculture.

JAGDISH BHAGWATI: Well, let me make two points. One is that if anybody takes you to the dispute settlement and that subsidy is found to be trade-distorting, all right, then it will be vacated. It may take a little time. But essentially it's like you've thrust a sword into somebody and he's flaying, right? But he's going to die. So, the cotton subsidies are on their way out. But general subsidies, trade-distorting subsidies, there is one problem which I would like to focus on. And I totally agree with India and Brazil on the issue that these have to be removed.

But these have to be production and trade-distorting subsidies. If, say, I give subsidies to my farmers in the United States for environment or just as a simple baksheesh, but it's not related to how much is being produced, then that is not a production and therefore trade-distorting subsidy.

That is a matter of whether Washington politicians want to reward their friends. All right? But it is of no concern at all to India and Brazil. What is of concern to them were what I call "distorting subsidies."

DALJIT DHALIWAL: Do the U.S. subsidies affect Indian farmers who are also competing in a global marketplace?

JAGDISH BHAGWATI: Of course it would.

DALJIT DHALIWAL: So then why is the United States holding onto these subsidies? Why are they and the E.U. having such difficulty relinquishing the subsidies? And I'm not talking about cotton, right now.

JAGDISH BHAGWATI: The question is political. Or, the answer is political, also. Because agriculture has been protected for so long, and it's like some of the lobbies which are very effective because of the situation and the specific context in which politics operates.

So everybody knows that in E.U. and in U.S. agriculture is a hard nut to crack. But still, to put it into some perspective, which we need to, I think it's still a manageable problem. And it's not a hopeless problem in terms of India and the U.S. being able to put pressure on the United States because, while many people believe, including many of the Indians I know in high places, they think all subsidies are bad. And I think President Wolfensohn of the World Bank was responsible for spreading this false view that there's \$1 billion subsidy – trade-distorting subsidy – per day. So, about \$365 billion. Actually, if you look at the numbers of the trade-distorting subsidy in the United States they're in the order of \$20-\$22 billion. Now, I think it can be reduced substantially. And the position which I have advised the Indian government to take – and the Brazilians – is that they shouldn't care whether it's 20, they should just get it reduced.

DALJIT DHALIWAL: "Either you're a free-trader, or you're not." And it seems to me that the underlying ethos here is, "Do as we say, not as we do." I mean, how is that inclusive of globalization?

JAGDISH BHAGWATI: Oh, but this is a matter of getting to a free trade, right? Let me ask you how did we get into this situation? It's because it was like a Faustian bargain between the rich and the poor countries. When I was growing up and beginning to think about economics, in the late '50s and early '60s, industrialization was considered to be synonymous with development.

So the poor countries, the developing countries were the ones who didn't want agriculture. They wanted

to industrialize. So they couldn't care less about agriculture. They didn't want to liberalize agriculture to have the subsidies removed, tariffs removed in the rich countries.

And the rich countries had a political problem with their own agriculture. So, they had wanted to agriculturalize rather than industrialize. So we in the poor countries wanted to industrialize. People in the rich countries wanted to agriculturalize. So they both left agriculture out of any negotiation. This is why you have the current situation. Now we have changed our mind, in a part of the world, in India.

Now we are beginning to dismantle all of this. Finally in the Uruguay round, which preceded the Doha round we've been talking about, we finally managed to bring agriculture back into the WTO system. So I think it's going to take, I would say another ten years and it'll all be gone. It'll all be gone. So I'm an optimist in this regard. But India and Brazil are absolutely right in saying "Unless you give—"

DALJIT DHALIWAL: So in ten years the farming lobby in this country won't have a leg to stand on because the subsidies would have gone away?

JAGDISH BHAGWATI: Because we will have done what the Europeans have increasingly done, which is to say, "We support the farmers, but through environmental programs, which is kosher now." Because if I give you money for environmental purposes, that fits in with our environmental concerns. If I give you money simple to sit around and, you know, smoke your hookah or something, in your armchair, that's fine. As long as it is not linked to production, how much you produce. So, we'll have to support the farmers because they're powerful. But we say, "Look, we want to support you in a way—"

DALJIT DHALIWAL: Well, how is that free trade? Isn't the WTO and the Doha round of talks all about a level playing field between the rich and the poorer nations and the more they trade together the poorer ones become wealthier.

JAGDISH BHAGWATI: But that's only for trade-distorting subsidies and trade-distorting tariffs. But supposing we are the world economy, and if I just give you a foreign name, I'm just giving you a transfer payment. So, why is that in violation of free trade? It's not. Unless I say, "You've got to buy my food." You know, which is what Americans tend to do sometimes.

DALJIT DHALIWAL: Isn't that what these U.S. subsidies are about, in a way?

JAGDISH BHAGWATI: No. U.S. subsidies are for production. These 20 billion. But there are a whole lot more which are just simply money being wasted on usually very large farmers who are the big lobbyists. You see, the day before this taping, there was a Farm Aid concert with Willy Nelson. And so the mindset of these people, of the people who sing away—

DALJIT DHALIWAL: Why do you think that the farm lobby is so powerful, unstoppable?

JAGDISH BHAGWATI: Because I think the average person in the country still isn't aware that money is being given to very rich farmers. They go and see the country, and they see Sam Shepherd and Jessica Lange eking out an existence. So they think of the smaller farmer. They hear Willy Nelson yearn about Farm Aid and, like, there was just a recent concert. You never have Bruce Springsteen or anybody talking about how this is going to the big farmers and how we should worry about the small farmers in Vidarbha and Maharashtra. That is at the heart of it. So we got to start singing. If Bono instead of these silly slogans, like "Make poverty history" or "History, poverty," or something—

DALJIT DHALIWAL: Well, isn't that what globalization all about? Isn't it trying to reduce poverty?

JAGDISH BHAGWATI: No, globalization is very different, instrumentalities; trade, aid, investment—

DALJIT DHALIWAL: Yeah, but in terms of how globalization affects human beings, it was also about trying to reduce poverty. If you get the rich and the poorer nations to trade with each other there will be a beneficial affect to the poorer nations the wealth will trickle down.

JAGDISH BHAGWATI: Not trickle down. Pull out. "Trickle down" sounds like you're Mrs. Thatcher sitting at a table enjoying a feast and some crumbs fall down to those poor vassals and serfs below, and the dogs. That's not what this growth strategy is about. Growth strategy is about pulling up people into gainful employment. And it has worked. It has worked. 200 million people have been rescued from poverty in India itself.

DALJIT DHALIWAL: Where in India, though? Because certainly not in parts of Maharashtra. Give me some examples where in the Punjab, in Bihar? In Orissa? Where?

JAGDISH BHAGWATI: Everywhere. Everywhere. Including Bihar. Because of the national sample survey data show – you can't go just by your eyes, by your camera – you've got to have a stratified sample. You've got to have a proper statistical—

DALJIT DHALIWAL: How have the 700 million farmers in rural India—

JAGDISH BHAGWATI: No, but 700 million people in the rural areas doesn't mean they're all on farms, and it doesn't mean they're all poor.

DALJIT DHALIWAL: Well, they're all making their living from the land. And they're small and marginal. But some may be bonded, some may be in serfdom.

JAGDISH BHAGWATI: Yeah, but we've relieved several also. So this has been massive progress. But it's still a long way to go precisely because of these attitudes where, "Oh, international trade doesn't help you it only hurts you," and so on. And, "Investment really is harmful to you," and so on. So, all those attitudes which were by well-intentioned people, but which actually hurt international development and that really created the additional poverty—

DALJIT DHALIWAL: You're saying that 200 million people in India have benefited—

JAGDISH BHAGWATI: Have been rescued from below the poverty line. And even more in China.

DALJIT DHALIWAL: —as a direct result of globalization.

JAGDISH BHAGWATI: Well, and many other things. Like, the day you get up and all bad things happen that day. Sometimes a lot of good things have to go together also. We had so many bad policies in India—

DALJIT DHALIWAL: But has it helped rural farmers—

JAGDISH BHAGWATI: Yes.

DALJIT DHALIWAL: Small farmers, marginal farmers? Or has it been mainly for the middle classes in India who are living in Mumbai and in Delhi?

JAGDISH BHAGWATI: So why has poverty declined by such a huge amount, which everybody agrees on, including populists and leftists?

DALJIT DHALIWAL: Well, I don't know. I mean, I don't know. I'm asking you because—

JAGDISH BHAGWATI: I just go by what I read. And we've had a lot of controversy on these numbers. And finally everybody agrees that we made a big impact on poverty. It doesn't mean we can't use additional means and additional policies to make it an even better.

DALJIT DHALIWAL: Well give me some figures. I mean, what kind of figures are we talking about in India?

JAGDISH BHAGWATI: 200 million have been rescued.

DALJIT DHALIWAL: Out of 1.1 billion people?

JAGDISH BHAGWATI: No, 200 million from the poor, from people below. So, I think something like 40 to 50 percent of poverty has declined in the last 25 years, or the last 20 years, I would say. 1991 to 2006, so, close to two decades of rather high growth. And, as I said, it is perfectly reasonable and credible that you create more jobs and more opportunities. But this doesn't mean that we should just relax and say, "Ah, we don't need to do anything."

DALJIT DHALIWAL: So what are these 200 million people doing now, then? How have their lives improved? Can you give me some examples? Were they small marginal farmers who now own a larger chunk of land? Are they women who had a small plot of land but have set up a small business? I mean, give me some tangible examples.

JAGDISH BHAGWATI: All those things have happened. But I'm simply giving you the data which are measured by the statistical services. India is a leading producer of national sample surveys. And we produce the world's best mathematical statisticians. But this is a very old thing. But if you ask me for specific details, I can't give you those. No, I could if I looked up those things, but I don't really know.

DALJIT DHALIWAL: And how can the farmers of Vidarbha get a slice of that some pie, the same globalization pie?

JAGDISH BHAGWATI: The only way you can do better is by increased productivity in these areas, and minimum price support programs. So I think they have to go in for additional productivity. Now, as I looked at the kind of land they were plowing, with all the stones, I don't know how representative that was. Maybe it is not. People often ask, "If you go in for international trade, what can you export?" People will find something to export, but they will not get anything very much out of it. So it may be that certain areas are probably not very good for the kind of agriculture we were looking at.

Unless I study Vidarbha I can't really tell you. What they can and cannot do. All I can say is that, "If they're interested in cotton and staying on the farm, then clearly they need the ability to put in better

seeds, because that's the way the Green Revolution worked." And it really had a big impact on poverty.

And sociologists have gone and seen it and gone back to the same villages. A famous French Swiss sociologist has gone back over the last 40 years to all the villages repeatedly. And he sees massive change in the same villages coming in now. So he's doing the naked-eye approach more or less, but also more detailed study of the same families and same villagers. But the sample surveys, they're impersonal. They just do, you know, "This is your definition of poverty." And then we go and look for him.

DALJIT DHALIWAL: Right. Well, globalization has brought tremendous changes and tremendous rewards. But overall, when you look at figures, are there more losers than there are winners?

JAGDISH BHAGWATI: Depends on what you mean by "losers" and "winners."

DALJIT DHALIWAL: Well, globalization has passed them by. They don't have a stake.

JAGDISH BHAGWATI: Yeah. But you see, there are two things. One is: when you say "losers," you mean those that are actually hurt. When you say, "That's passing them by," it means they are not touched. So, there are three possibilities. You may be a winner.

DALJIT DHALIWAL: They've been hurt by not being touched.

JAGDISH BHAGWATI: It's just passed by. Oh, I feel hurt that I'm not as smart as successful as you are, but it's too bad. There are lots of reasons why people may be unhappy. But all I'm saying is, if you talk in terms of income, right? Earned income. There are winners, right? And then many skilled people tend to benefit a great deal from international trade and investment.

There are people whom it just passes by. It is totally irrelevant to you. I would suspect that for many of the cotton farmers, since international trade doesn't seem, to me, at least in statistics to be very important, maybe the subsidies are not making all that much difference.

Maybe they are. But I haven't seen any evidence that it has. And then there are people who are actually hurt by international trade and by globalization. So all three are possible, but I think generally what I would say is that in specific activities, like cotton, for example, people can be hurt, right? But the big debates are now not about specific groups of people, like cotton farmers or textile producers.

But really the big debates today are whether the working class as a whole is losing. Is there growing inequality because of globalization?

DALJIT DHALIWAL: Is there?

JAGDISH BHAGWATI: No one has established that really. Not about inequality.

DALJIT DHALIWAL: So we're not really in a position to assess the pros and cons of globalization, at least—

JAGDISH BHAGWATI: And I also feel that inequality pertains to specific cultures. Like, we are in New York now, and I'm sure every week, Park Avenue incomes are increasing rapidly, particularly with every deal that goes through where they earn billions of dollars on these excruciatingly offensive mergers and

acquisitions, and God-knows-what goes on in the financial sector. And so automatically the bottom five percent in Harlem are losing. Now, are they in ferment? I don't think so. I don't think so at all.

On the other hand, if it was happening in my own firm, or my university and somebody was getting twice as much, and the president was getting ten times as much, that would be something which is within, sociologically, within my purview. And so I would resent that. So I think a whole lot of these measures which are going on, like rural-urban inequality, do the people in the rural areas worry about what's going on in Albright Hotel in Bombay or Delhi?

DALJIT DHALIWAL: Well, they might not worry about it, but they might want a piece of that pie.

JAGDISH BHAGWATI: But then that's an aspiration, right? Which is being affective, and so they will want more.

DALJIT DHALIWAL: Well, an aspiration that perhaps they hope they can achieve as a result of being exposed to the process of globalization.

JAGDISH BHAGWATI: But that's where you've got to ask, really, "Are people's expectations aroused and their aspirations aroused by the fact that they see, within their own terms of reference, that there are actually better incomes to be had? Or are they seeing it because somebody in Bombay or Delhi or in New York, for that matter, or in Chile, which is a way many economists argue this case." They say, you know, "Any inequality measured in any kind of way, without doing any sociological and political analysis of whether it matters for your society," which is a kind of inequality people worry about.

It is that mechanistic approach which I object to, actually. And so I'm not saying, "Inequality never matters." On the contrary, inequality can matter and does matter. I can think of examples where it does. But this knee-jerk repetition in India – that inequality has widened – I don't know whether it has or not. And that it has done so because of reforms, it seems to be to be an open question. And also maybe not be a question worth answering.

DALJIT DHALIWAL: Are there more winners or losers?

JAGDISH BHAGWATI: I think many people are winners, let me put it that way, and in the Indian context. And the reason why I think many people are winners is because there's an implicit model which I'm using which is that more globalization, exploitation of international opportunity to trade and to receive investments leads to more rapid growth and then, that's step one. And then step two is more rapid growth means creation of more jobs. And therefore, since India's main problem is poverty, India specializes in poverty, like China. Huge numbers, right? It creates more opportunities for people to be employed. Now, so there are two propositions which I believe in. Having grown up in India I feel poverty's the biggest issue.

Therefore I feel that any policy will of course enrich people who are participating directly, but it will also indirectly open up opportunities and, therefore, it will also help the poor. So in terms of the particular group that I am interested in, I see it as a useful strategy with only winners. Now this doesn't mean that there are no specific losers. I would be a fool to think so because surely we see that there are losers from, in this case, the cotton subsidies of the West, particularly U.S., have actually depressed prices. And we are exporting something like \$3 billion worth of cotton, today.

So the returns we would get would be less, okay? So I'm not looking at the import side but the export side. And so that is something which is really affecting these farmers. So that is certainly a possibility. And it happens all the time.

DALJIT DHALIWAL: If millions are benefiting from globalization, you say 200 million, for instance, why is there this feeling, at the same time, that there's something a little strange about this process?

JAGDISH BHAGWATI: In the Indian context, I think it is largely because of the last election. I think the Congress Party was so startled to see itself win that it never really thought through the thing. The amount of vote it got really wasn't any more dramatic, they just made better deals in terms of coalitions.

Two, we didn't really have the statistics that carefully worked out at that time. And they really thought that the BJP, the previous government, had simply concentrated on the urban areas, on reforms, on growth rates and they never really thought through whether this had also affected poverty effectively.

DALJIT DHALIWAL: I guess I was referring more to the process, the definitions of globalization. A lot of people do feel uncomfortable with it for lots of different reasons that it hasn't reduced poverty; it's benefiting the northern countries at the expense of the poorer countries. I mean, it's that sort of uneasiness that I'm talking about.

JAGDISH BHAGWATI: I did write a book called *In Defense of Globalization* in 2004, and I concentrated exactly on those arguments because I wasn't interested in some doctrinal debate like I was a cardinal going up against other cardinals at the Vatican on theological questions about whether free trade was good or protection was good.

DALJIT DHALIWAL: But it is almost like a religion, isn't it?

JAGDISH BHAGWATI: Well, it can be. Once you've thought through something. But you see, religion acquired through rational argument is different from religion acquired through faith. And that's the difference, you see? So you may wind up believing something after a rational exploration of the issues. And so, in that sense, you're right to someone else, who hasn't gone through that experience. They may think it's like a religion. But I'm not into that mindset.

So I then proceeded to [ask], "Is it really affecting women's issues, women's rights? Is it affecting poverty in the poorer countries, adversely?" Democracy – exercise of democratic rights, mainstream culture, a la Monsieur Bovary worries about Americans – McDonald's plowing under French culture and French agriculture. It's a double jeopardy for the French. Evo Morales worrying about indigenous culture. So all these issues were really the key issues which everybody was worried about, like you raise. And so I have thought through these things. I may have got the wrong answers, but my optimistic view or assessment is based on that analysis.

And, therefore, even in India, where I started out my career working on how to bring up the bottom 30 percent into gainful employment, how to remove poverty. I didn't choose that target. I was only a young economist, gone back from England and put into this job. It's a job which is an answer which has defied people for millennia.

DALJIT DHALIWAL: So, as part of your job, you've advised the United Nations. You've advised WTO and the Indian government on world economic policy. You've also been described as the world's number one

free trader. But I'd like to ask you your opinion of a survey that the British charity Oxfam founded last year. And it says that the plight of the Indian farmer has worsened by their "indiscriminate and forced integration into an unfair global system." As somebody who is a proponent of globalization, what is your reaction to that?

JAGDISH BHAGWATI: If I was frank, I would say nonsense. Simply because—

DALJIT DHALIWAL: You just did.

JAGDISH BHAGWATI: Yes, I know. I am frank. So, no, Indian agriculture has not been opened up. Our bargaining position in trade negotiations has always been that until the Europeans and the Americans reduce our trade subsidies, distorting trade subsidies, I think we exaggerated a little bit because we believe the Oxfam/Wolfensohn kind of fallacy, that it is one billion dollars a day. They also say that, trade-distorting subsidies—

DALJIT DHALIWAL: You mean the subsidies given to U.S. farmers?

JAGDISH BHAGWATI: There are only 20 billion in U.S. which are trade distorting. The estimate of one billion dollars a day – that the U.S. gives more aid per capita than the subsidies per cow – this is a bovine remark which I considered asinine, actually. Because you know, what's the point of dividing by cows? It's a meaningless thing.

That is grossly exaggerated in India. But Indians have basically correctly taken the position that this is our bargaining chip. If you reduce your subsidies, we will increase market access for you. A few tariffs have gone down. Our tariffs don't go down just in trade negotiations in India. They go through the budget. The finance minister negotiates the reductions in actual tariffs. The others are ceilings or bound or they're called bound tariffs, meaning how high you bind yourself. You can't go beyond that without all kinds of moves through the WTO mechanism.

So the commerce minister has nothing to do with the actual tariffs that apply. And those are actually quite low on manufacturers by now.

But on agriculture, once in a while, we will do it, like when we run short of something. Like edible oil prices are increasing; we'll suddenly dismantle some restrictions and bring in more oil. Or we'll put on export restrictions, like when onion prices go up. And that's a staple, in some sense. And governments can fall on onion prices rising high. Then we prevent exports from happening. But by and large, I would say simply not true that Indian agriculture is part of the world economy at all in terms of integration.

DALJIT DHALIWAL: But the examples that you give, in some ways, are very remote from the lives of ordinary Indians. I mean, Indians are operating, aren't they, within the global marketplace?

JAGDISH BHAGWATI: Not on agriculture. Only three billion dollars worth of cotton exports, and we've increasingly exported more, but that's not due to trade liberalization, because Oxfam Court was about reducing our barriers. We've not really done that, no.

DALJIT DHALIWAL: So they're talking specifically about the Indian farmer's plight being worse. And you're saying that that's absolutely not the case.

JAGDISH BHAGWATI: No, but I think one thing I would say, which is when farmers are producing for international markets and are not protected by buffer stock schemes or by price support, you are subject to volatility in the world markets, because it's just beyond you. I mean, these move by world forces.

DALJIT DHALIWAL: But Vidarbha's farmers certainly think that they are. They don't feel that they're getting a fair price for their cotton.

JAGDISH BHAGWATI: Yeah. I mean, everybody feels... I think I ought to get more salary than I do at Columbia. Everybody thinks they're getting something unfair. So I don't consider that to be a very useful concept. Fairness is in the eye of the beholder. But whether they're getting something which is decent for them in terms of able to eke out a living, that's certainly something, I think they're raising a legitimate question. But it's nothing to do with fairness, in my opinion. So I think Oxfam has been barking up the wrong tree in trying to revive this view of fairness, because fairness is a concept which has been used in the United States trade policy to prevent developing countries from exporting to them, by saying you are an unfair trader because you don't have our kind of standards. You don't have our kind of democracy. You don't have anything like we have.

DALJIT DHALIWAL: Is the United States the worst culprit when it comes to anti-competitive tendencies?

JAGDISH BHAGWATI: No. When they say fair trade, the protectionists in this country really mean protectionism. And that's why they're pushing for labor standards, and so on. Not because they worry about our workers in India, or the air we breathe. I mean, they talk a good altruistic language, but they're just fearful of competition. I think in this country, the United States, there is a problem.

DALJIT DHALIWAL: But there's also an acknowledgement—

JAGDISH BHAGWATI: Despite their ideology, their actual practices in trade are not necessarily the best in the world. They like the ideology of free trade and markets. But very few people really follow through to fruition. But that is true of most countries. So when you ask me a comparative question, is it the most protectionist, I would not be able to agree with that. But that doesn't mean they're not protectionist. And they use all kinds of tricks, particularly around the notion of fair trade. This is why I'm very sensitive about the way you phrase fair trade. When I saw Oxfam start using it in the 19th century sense – because in 19th century, Wilberforce, Cadbury, all these people, Roundtree in particular, wanted to pay what they called a fair price to the cocoa growers, because they were chocolate producers. And so, what they meant was a just price or something like that, something you might call a living wage or whatever.

DALJIT DHALIWAL: Right.

JAGDISH BHAGWATI: And they had no clue, because they were not experts on trade. And this is one of the problems about the big NGOs. There is a wonderful man you showed in your documentary. The big NGOs have become big businesses now. They go into everything they know nothing about. Oxfam should concentrate on famine relief, disaster relief. What is it doing on trade, which it doesn't understand?

DALJIT DHALIWAL: Well, they probably think it's part of their mission of helping poor people, which is what they do.

JAGDISH BHAGWATI: It may be. But it's expanding the portfolio, basically. I'm afraid I'm against large size, even when it comes to NGOs. Because when you don't know something, you should keep out of it.

DALJIT DHALIWAL: I want to come back to our film for a second, which tells the story of Durgasingh Chavan, a 52-year-old cotton farmer who lost his land to a money lender. And he kills himself. And his family cremates him on the land.

JAGDISH BHAGWATI: Right.

DALJIT DHALIWAL: And they determine that they're going to win it back eventually through a lawsuit. If you look at the challenges which the small farmer is up against in India, are these farmers making a mistake? Would they be much better off if they were doing something else and would just completely give up on farming altogether?

JAGDISH BHAGWATI: Yes. But that would require a growing economy. You see, we're talking about the plight of these people who—

DALJIT DHALIWAL: Hold on a second. Isn't India supposed to be rising?

JAGDISH BHAGWATI: Yes, but it's only been 20 years now. 1991 to 2007. So how many years? About 20. But you know, despite the power of compound arithmetic, things are improving. We started out with so much poverty. And which actually grew during periods of slow growth. But we rejected every conceivable opportunity to accelerate our growth rate.

Another 20 years, and I think we will see what Bono wants with the world. That we will, in fact, have reduced poverty, which we kind of hopefully eliminate most of it. Until then, what do we do? So the question is, what do we do until then for these people?

It would be good for them to leave the land if the economy was rapidly expanding on a continuing basis, except for occasional ups and downs, because in any economic system, you don't have steady, exponential growth. But if you don't have a growing economy, a rapidly growing economy for a much more sustained period, these people are going to say, look, what do we do? Because in the international trade, you said I was number one free trader.

DALJIT DHALIWAL: I don't know. Are you. Aren't you? Do you want to claim that title?

JAGDISH BHAGWATI: Well, once somebody asked me if I would like to be described as a free trader. And I said, "What's the alternative?" And they said, "A protectionist." And I said, "Yeah. Then call me a free trader." So if you don't want any nuances and you want only one description...

But it seems to me that what you really want to do is have very rapid growth, and then these people can look for other occupations. This is already beginning to happen. And this is where that 200 million figure comes from. It's not necessarily from improved productivity on the land or in agriculture. It's also from moving to other occupations.

But this is a more general point. And I think it applies also to a point which you didn't bring out in the documentary, which is implicit, that widows in India face particular problems. I mean, not just the economic problem of livelihood, but also social problem. We didn't see the entire families and the in-laws. And it's really extremely difficult to hack it, like I guess you've seen Deepa Mehta's movie, which you must have.

DALJIT DHALIWAL: Yes.

JAGDISH BHAGWATI: This is a very major problem. You hear about 45 million widows. How many widows do you read about? None. They all get married again, right? So it's a very big, acute social problem -- with things like bride burning and dowries begin to diminish, only if you had a growing economy. You can put all the legislation you want on the books, but it's not going to click in unless you can divorce your husband.

But unless you can go and earn a livelihood somewhere, what use is that law? So I think growth, prosperity, the reforms, which include an element of globalization, let the global markets rip. Nobody advocates, certainly that's crazy, but using these opportunities much more intensively. I think that is why it's both for the good of these farmers. It will give them opportunities. It gives the widows more opportunities. And I think it will also kick in with a whole lot of social change, where our legislation is not bad at all. India has had all the legislation in the right direction, with very little implementation. And I think it has to do with a variety of problems, which I think can be dented – not solved, but dented – by more prosperity.

DALJIT DHALIWAL: How would you characterize India's economic growth and its prospects for the future? And what does this mean for the mass of India's rural poor farmers?

JAGDISH BHAGWATI: I think the growth path will continue. And the reason I'm optimistic about that is not just the economic reform, but also the politics of democracy. Because the only way you can get effective reforms which extend to the poor is if the poor vote, if they're able to register their preferences. In countries like China, which are dictatorships of one kind or another, you don't have that ability on the part of the masses to kick with their preferences.

We have opposition parties, NGO civil society, judiciary which is independent, and opposition—

DALJIT DHALIWAL: Free press.

JAGDISH BHAGWATI: Yeah, that's right. And so, you have really all the elements through which people are beginning to have a voice and, therefore, have an effect. And I think this is what's really important. And I think as people, as I compare it with China, for example, I feel much more optimistic about India. I've talked to many CEOs here who are investing in both countries. And they're always asked where would you go? And they say, next ten years, to China. But after that, it's definitely India.

So everybody's betting on India. This is very unusual, actually. Because if you go back to the beginning of the post-war period, everybody thought democracy was a big handicap. And this is why India got a lot of foreign aid. Because it was assumed that in the race between India and China, China being authoritarian, it would be able to extract blood, sweat and tears, and be able to invest far more. And India would be at a big loss. So there had to be more foreign aid to make up for this difference.

And it turned out neither giant woke up. They continue snoring, and now they're woken up. But we now know that it's not just blood, sweat and tears, or investment, but it is also the productivity. And productivity means bringing people into yours – to give them a sense of commitment, a voice. And I think this is the most powerful thing we've learned. So in a way, we economists believe in the law of diminishing returns. And you would think, well, India was uniquely a democracy. Now that most countries are

democratic, the value of democracy has declined. Actually, it is has been enhanced.

DALJIT DHALIWAL: You've been quoted as saying that the whole country, India, is like Popeye on spinach. What did you mean by that?

JAGDISH BHAGWATI: I was reacting to Tom Friedman's book, which was actually quoting people in the IT sector, firms like Infosys and Nilekani, who is the big executive there. He was telling Tom Friedman that we Indians can do anything you Americans can do. And so, Tom, flexing his muscle on IT like Popeye on spinach. And so Tom Friedman repeats that, creating terror in the hearts of the Americans that all the jobs are going to go off to India, which is a non sequitur.

So that's what I meant. But I think what that new sector has shown also is something rather dramatic. Of course, it will spread through the system. But this is where, again, inequality comes in. Here is a case where you have sociologically people who are in the IT sector, are like Bill Gates, and so on. They're not the Soros's or the Warren Buffets who I admire. But they make money out of speculation, basically, of investments. You know, the financial sector, which I don't admire very much.

Bill Gates, Infosys, they're creating something, technology, value, in a very basic sense. They're also highly educated as a result. And they bring a certain philanthropic sense to what they're doing. So they're plowing back monies into the civil society, building education. So that inequality – when Nilekani and company get skillions of dollars, I'm not upset, because it doesn't go into ostentatious consumption or anything like that. It goes back – the old Calvinist style, the Dutch Burgher style – into doing good.

And that is good capitalism, good globalism. And I think this is what we are getting in India. We had that in the old, Gujarat with Gandhi, the great Gandhi built on. This came from the giant culture.

And then we got the sort of culture where the riches came from contractors who were building roads with potholes, and making money. And they had no culture, no education, no background of this kind.

Now I see increasingly the new sector is throwing up people with these values. So I don't worry about inequality in that sense. I do worry about some inequality, which is ostentatious, which you see in Bombay, Delhi. But I don't think they matter very much. And I think increasingly, the young people are beginning to kick in. I mean, people of my father's generation dedicated their entire lives to independence, the anti-dowry, and all sorts of things. And now, the young women are coming up and then taking over many of these occupations. So I think the three million plus NGOs in India, many of them mom and pop operations, are the ones I admire, not Oxfam. These are really the eyes and ears of good governance. They have the motivation.

DALJIT DHALIWAL: People like Vandana Shiva?

JAGDISH BHAGWATI: Vandana? I don't know. I don't know enough about her. I disagree with her, and I'm open to debate with her. But I don't have to agree with anybody any more than they have to agree with me.

DALJIT DHALIWAL: But what about Tiwari, the farm activist? Have you seen our film?

JAGDISH BHAGWATI: I admire that man. I admire that man enormously. And I think your documentary will do a great deal of good. Because it sort of brings out how somebody like him can bring pointed

attention to this. He can talk to the president. He can really raise questions. How many people have that empathy and the imagination to know what these suicides mean? They're just numbers to many people. And your documentary makes it come alive. And I think that's part of the process by which we can hope to advance the public good.

DALJIT DHALIWAL: Coming back to where we began, how can India, the world's largest democracy, broaden and deepen its growth process so that it will benefit the 700 million people who are still living on the land?

JAGDISH BHAGWATI: In a variety of ways. As I said, going back to agriculture is a good thing. Going back into diversifying economy into labor intensive manufacture, which comes with going into the international markets. Bringing more foreign investment in. Paying more attention to the environment, I think, is very important. Because we know from the Chinese and the Soviet examples, and the Eastern bloc, that you can just go right to the edge and where cleanup is going to be so difficult. And you can't help cleaning up because otherwise, it chokes off any growth.

So I think all of these lessons have been learned. And now it's a matter of implementing them. And we have lots of people who are alive to this like the Center for Science and Environment, which have earned the Volvo prize and so on.

Those are the kinds of people who are going to make India, in my opinion. And the young people, who are, I think, increasingly becoming like little Americans. In America, every child wants to do something, right? Here, one of the most beautiful things is how young people are very much involved in wanting to do things. So I think that is spreading through Indian children, at least the middle class, who were never into any of this.

Now as I go back more, I see more of that happening. So I think that's our biggest hope. But I think the specific solutions will come out of this exchange of ideas and the young people wanting to do things. Applications of IT to helping the poor are multiplying and all kinds of people are now investing money in through NGO profit-sharing activities.

So I see a kind of ferment like Naipaul's *Million Mutinies*. But not a million people just arguing, being difficult with each other, but basically working at the problems of India. And those problems are actually now seen as the problems of poverty. In a way, I'm pleased because that's where I started my career. Not that I just happened to be in that right spot at the right time and got interested in those issues on a permanent basis. And you ask me about WTO and so on. Those are ways in which I see our improving the trading environment, so we can profit more from it. And so on. I'm not an apologist for what the U.S. does or what India does. I'm an equal opportunity critic of all countries and hoping to improve things. And, of course, sometimes I put my foot wrong. But on the whole, I think it's worked out.

DALJIT DHALIWAL: In a globalized world, what stake does the United States have in improving the lives of Indian farmers who are living in abject poverty, like we see in our film, in the world's largest democracy?

JAGDISH BHAGWATI: Oh, I think that is what's missing sometimes, actually, in our political debates. I'm a Democrat in the U.S. on politics and when I see fellow Democrats worrying about our poor and raising trade barriers, which denies export markets to the poor abroad, I find that rather incongruous. We have to figure out ways in which we can look after both sets of poor, and we don't do that. That is really a

problem.

I'm not saying we should worry about their poor and not American poor. But I think we typically tend to be ethnocentric in that way. And Democrats are supposed to be cosmopolitan and international, and Republicans probably not, according to the Democrats. But Democrats are equally bad, in my opinion, like in the current presidential campaign which is beginning to unfold. Not one Democrat has had the courage to say we must keep our markets open to the developing countries' exports. So I find that a little disappointing, actually. And I think the U.S. is, in fact—

DALJIT DHALIWAL: Well, are Republicans saying that?

JAGDISH BHAGWATI: The Republicans are not saying that. I don't quite know because I'm not a Republican. I don't follow what they say very much. But I think most people would say that they tend to listen more to manufacturing, corporate interests, traditionally. And corporate interests happened to be aligned, in this particular instance, with what economists think will do the public good. I'm not responsible for the fact that corporate interests happen to coincide with mine, in this particular instance. So I think Republicans are generally into that.

I heard Charlie Rangel say the other day at Columbia that trade policy was made so far for corporations. Now, under us Democrats, it will be made for the people. And I'm glad he disappeared before I could comment on him. But you know that's a little bit of a fanciful footwork.

I think both parties generally have to come to terms with the fact that there's a lot of poverty in the world. And we really have to do more. And we should not be shutting our doors off. But my solution would be to say there are many ways in which we can help our people, through enhanced adjustment assistance programs, better education, opportunities for our workers, so that they're able to cope with change much more easily than they used to.

In fact, the old socialists in England, you'll remember, like G.D.H. Cole, they set up colleges, like Russian College outside Oxford, for workers education. Where has it all disappeared, right? We have to bring it all back.

DALJIT DHALIWAL: You said earlier that the Indian government should give Vidarbha's farmers cash. Do you mean subsidies?

JAGDISH BHAGWATI: Yeah. I meant cash for relief. You see, if it was a generalized distress, we wouldn't be able to afford it, right? I remember way back when a Polish economist, who, if he had lived, would have probably got the Nobel Prize, came by and started working on the Indian Planning Commission in '62. And he said, Bhagwati, the problem with your model is that there are too many exploited and too few exploiters. What he meant was redistribution would take you only that far.

So we have to grow the pie basically. And that is important. But it also means we cannot redistribute and give anybody more than one more chapati a day or something. So it's not really a practical, viable solution. So if you said give relief and bring up the incomes of all the poor right away by another 50 rupees a year, or something, that's going to be hard.

But when we are talking about the distress that breaks out when vulnerable sections get bamboozled into adopting innovations they cannot afford, that can be handled. And that's what I think cash relief is; it's

the best way to do it.

DALJIT DHALIWAL: Well, Brazil sued the United States. It took them to the WTO courts saying that it was distorting and that it wanted the United States to get rid of the cotton subsidies that it was giving to its farmers.

JAGDISH BHAGWATI: Exactly. And then Brazil won. And now, the ball is in the U.S. court because all the decisions since the WTO was founded are binding on the guys who lose. So we have to vacate that legislation. And that is where the government is obviously having a problem because this is something which the legislature, meaning the Congress, has to vacate. But they're working on it. And I would expect that the way they will do it, because we've always done it, it takes longer when we go through the Congress, is by giving relief in some other way which is not distorting and giving up the distorting subsidy.

DALJIT DHALIWAL: When? How long will that take?

JAGDISH BHAGWATI: I would think about three years. And if it takes longer, I'll give you a magnum of champagne.

DALJIT DHALIWAL: Why do you think it's taken so long? I mean, why is it languishing in Congress? President Bush realizes that we need reform. Nancy Pelosi, the House Speaker, has also called for reform. But it hasn't happened yet.

JAGDISH BHAGWATI: Because there's the farm lobby. And then, you see, the farming sector is particularly important now because the presidential elections are just around the corner and the Republicans are fearful of losing the election, and, therefore, can not afford to upset the farm world. And we Democrats are salivating to take charge.

DALJIT DHALIWAL: But if there wasn't an election—

JAGDISH BHAGWATI: But we can't afford to do it. And this is why the only formula under which we will vacate is if we give a compensating subsidy which is not distorting. But there's one other point we need to make here which is that as part of the Doha Round, the Americans are telling people in Brazil, and in many developing countries—

DALJIT DHALIWAL: Doha being the world trade liberalization talks.

JAGDISH BHAGWATI: —that we must have what is called a peace clause, meaning no such cases should be brought on agriculture by anybody else while the Doha negotiations are on. And the worst thing that the developing countries can do is to sign the peace clause. It means they will not be able to bring the Brazil kind of pressure on the U.S. to vacate the subsidies. So the peace clause is exactly the wrong thing to do. This time, they won't be cheated. I think they will not sign the peace clause. They had earlier on, and when that expired, Brazil filed the lawsuit.

DALJIT DHALIWAL: If there wasn't an election on the horizon right now, would the subsidies have been gone a little while ago? Would they be disappearing right now?

JAGDISH BHAGWATI: I think they've become, in the distorting sense, rather untenable in public opinion worldwide. And I think ultimately, the U.S. does pay attention to public opinion. It may go through phases

like we have in the Bush administration second term. But they're really totally out of bounds. But it's winding back.

DALJIT DHALIWAL: Well there have been plenty of bodies they have ignored – the criminal court, the Kyoto protocol?

JAGDISH BHAGWATI: Well, Kyoto, I think we'll sign onto it. Like in Kyoto, they were worried that India and China who are growing major polluters and China has now overtaken the U.S. that they were being allowed a free pass. So the senate voted in 1991 against ratifying, and both Gore and Clinton gave up. They did not stick with it. Now the climate has changed. So maybe there's a greater possibility. This is an issue which requires another documentary.

But in each particular case, it wasn't a willful thing which Bush did. Because it was the Congress even under Clinton and Gore which would not deliver anything.

I think today, the climate is very different on that. The international criminal court, now they see some sense in doing it, right? I mean, really because of Guantanamo, their holier than thou attitude – we will proceed unilaterally because we are the exceptional nation – that sort of attitude is disappearing.

So I think in the end, precisely because it's a democratic country and there are so many different ways in which people counterweigh whatever is going on and debate it, I think there are internal mechanisms of correction, which we don't have in dictatorships.

So this is why I think both India and the U.S. have a lot in common actually, in the sense that excesses occur like the Gujarat massacres. But the system reacts very strongly. This is why I think again, it's very important because as soon as people realize this sort of thing is happening and it registers, the only way a television documentary can, because even print media can not quite bring it out in the evocative way. That is really the process by which a democratic system will react and will bring these things to some point of counterweighing and correction.

DALJIT DHALIWAL: Jagdish Bhagwati, thank you very much for joining us on *Wide Angle*.

JAGDISH BHAGWATI: Thank you.