

February 2019

BHAGWATI CONTRIBUTIONS

Christian von Weizsäcker once remarked that a distinguished younger colleague of his in IO theory in Bonn had not heard of Joan Robinson. Others have also remarked that the more remote a fundamental contribution in time, the more certain it is that the younger economists are unlikely to be aware of it.

The following notes have therefore been prepared, with inputs from many students, colleagues and collaborators, to address this situation regarding Bhagwati's contributions. They have been arranged in sequences highlighting the different items of relevance.

The material contained below in Items 1-5, plus additional information on these and other items, can be found on Bhagwati's website: www.columbia.edu/~jb38. On the website, see in particular:

1. Endorsements and several Book Review Excerpts for **In Defense of Globalization**, published in March 2004 by Oxford University Press;
2. Profiles: in New York Times, Chronicle for Higher Education, Lunch with the Financial Times, Finance & Development, and others;
3. "Globalization with a Human Face", The Guardian, by well-known Human Rights Activist Salil Tripathi, February 24, 2014;
 - (a) Tribute to Professor Bhagwati and his brother, the late Chief Justice Bhagwati, by Professor Michael Trebilcock, sent to Professor Bhagwati on October 2, 2018.

4. Citation by Paul Krugman in American Economic Review (September 2004) on election to the 2003 Distinguished Fellowship of the American Economic Association;

5. List of Honors and Awards.

References to five volumes of his selected scientific contributions, three of the six **festschrifts** presented to him, and collections of his many contributions packaged separately for areas such as Free Trade, Environment, and Immigration, are also available on his website.

I. General Observations

Jagdish Bhagwati is widely regarded as the “doyen of international trade economists today”.

[NOTE: Words taken from Martin Wolf review in the *Financial Times*; similar words in Kindleberger review in *The International Economy* of *A Stream of Windows*; David Warsh in *The Boston Globe*, in *The Economist* etc.]

Bhagwati is also unique in having been honored with **SIX festschrift conferences**: one on the occasion of the grant of an honorary degree at Erasmus University. Three were before his 70th birthday. Three more were on his 70th birthday, one in Lancaster (UK) where he was also awarded an Honorary degree; one in Florida, and the last one at Columbia where the celebratory dinner was attended by several distinguished economists (e.g. Nobel laureate Robert Solow, Harvard’s University Professor Dale Jorgenson, New York Times columnist and later Nobel laureate Paul Krugman, NBER President Martin Feldstein, and Lars Svensson of Stockholm University), statesmen (e.g. UN Secretary General Kofi Annan) and university Presidents (Larry Summers of Harvard, George Rupp of Columbia, and David Leebron of Rice) and there were messages from the Indian Prime Minister Dr. Manmohan Singh, the WTO Director General, (unsolicited) the German President Kohler, Martin Wolf of the Financial Times, and Nobel laureate Paul Samuelson. [All messages, speeches, and the Proceedings of the festschrift conference straddling the Dinner are available on the website: <http://www.columbia.edu/~jb38/>.]

He has been awarded several coveted prizes, among them the Bernhard Harms Prize (Germany), the Seidman Distinguished Award in Political Economy (USA), the John R. Commons Award (USA), the Thomas Schelling Award (Harvard), and the Freedom Prize (Switzerland).

Many of the recipients of these awards (e.g. the Seidman Award) have gone on to receive the Nobel Prize. Bhagwati has been on many shortlists for the Nobel Prize. For instance, he was voted in a Swedish economists' poll some years ago as the most worthy recipient of the Nobel Prize, has been the top of the list of potential Nobel Prize recipients on the Internet, World Bank economists' poll etc., and is regularly described as a potential Nobel Laureate in media (see the Book Review excerpts on his book, In Defense of Globalization, 2004, on his website, where several reviewers in major newspapers and magazines call Bhagwati a potential Nobel Prize recipient) and by economists worldwide.

Avinash Dixit of Princeton, a most accomplished theorist of his generation, had this to say: "I don't think the prize committee has ever been guilty of an error of commission (giving the prize to someone who didn't deserve it). But I think they can be accused of some errors of omission, and I don't mean with regard to myself. Jagdish Bhagwati, probably jointly with T.N. Srinivasan, surely deserves one for work on the theory of ranking different policies to tackle economic failures."

Amusingly, he has been awarded the Nobel Prize in two of the most widely watched TV shows today. One was by Jon Stewart, who said that Bhagwati was the most likely candidate for the Nobel that year but that he may lose out to President Bush because the Dow Jones was doing so well. The other was on the Simpsons just days before his MIT colleague and friend Peter Diamond was deservedly one of the recipients of the Nobel: funnily, the audience for the Simpsons where Bhagwati received the Nobel was much bigger than for the real Nobel.

II. Two Major Scientific Contributions in Trade Theory

First, Bhagwati has transformed the **postwar theory of commercial policy**, and the way we think now about free trade and protection, with his 1963 Journal of Political Economy article on “domestic distortions” (with his friend, the late V.K. Ramaswami). This is a classic paper that spawned hundreds of articles, and ranks with the Nobel-winning papers of Akerlof on “lemons” and Mundell on optimum currency areas.

Essentially, the dominant narrative in commercial policy until then was that, in the presence of distortions (i.e. market failure), protection could not be rank ordered vis-à-vis free trade. Bhagwati transformed this received wisdom by showing that, if this distortion was addressed by an appropriate policy, the case for free trade would be restored. Thus, if there was pollution, it would undermine the case for free trade; but then we need a polluter pay principle to take care of that market failure and then we get back to free trade. This is a simple but extraordinary insight, changing the lens through which we used to see commercial policy concerning free trade.

Second, In addition to strengthening the case for free trade (which Paul Krugman has remarked is a Nobel-deserving contribution), Bhagwati has also made important contributions to the related issue: should trade be freed on an MFN basis or can it be freed, with welfare improvement following, on a preferential basis?

In particular, Bhagwati has made several contributions to the analysis of **preferential trade agreements** (PTAs), taking much further in new and relevant directions Jacob Viner’s path-breaking analysis of single PTAs in ways that are discussed below (especially, the issues that arise when several PTAs are proliferating).

III. Other Influential Contributions in Postwar Theory of Commercial Policy

At the same time, his leading presence in the international trade field, in the normative theory of commercial policy, over almost half a century owes equally to a great body of theoretical writing that ranges over virtually all aspects of the theory of commercial

policy. Collected in five volumes of his scientific essays, published by MIT Press, his work has had a major effect in several areas, among which at least TWELVE areas may be highlighted (though there are several others, including two influential articles on the positive theory of comparative advantage: on comparative advantage with multiple goods in the Journal of Political Economy and his new “biological” theory of comparative advantage which has been developed further by Elias Dinopoulos in Journal of International Economics and by Robert Feenstra).

Area (1): Immiserizing Growth and Multiple Theoretical and Policy Implications:

Bhagwati’s article on the theory of Immiserizing Growth (1958, Review of Economic Studies) established his international reputation at a very young age (the paper having been completed when he was an undergraduate and a student of the great international economist Harry Johnson in Cambridge, UK) because this short paper, much cited in both theoretical and policy writings at the time, highlighted the conditions under which a country’s growth in an open economy could hurt itself if the primary gain from growth was offset by the secondary deterioration in the terms of trade. But he went on to provide (1968, Review of Economic Studies) a more influential and theoretically profound generalization showing that the phenomenon of immiseration was to be explained by growth in the presence of distortions (i.e. market failures).

This article has deeply influenced policy-relevant areas as diverse as the analysis of the welfare effects of direct foreign investment, the appropriate measurement of growth rates in the presence of trade distortions and cost-benefit analysis (for fuller survey and details, see Chapter 29 of the 2nd Edition of Bhagwati, Panagariya and Srinivasan, Lectures on International Trade, MIT Press). Both articles together --- like the pair of Samuelson articles on Factor Price Equalization in 1948 and 1949 --- are among the more influential theoretical articles in the theory of commercial policy.

Area (2): Non-Equivalence of Tariffs and Quotas: Pioneering Paper in Imperfect

Competition: Bhagwati’s work on the theory of non-equivalence of tariffs and quotas in his 1965 Haberler festschrift volume, is another classic which led to dozens of articles on

the subject and to policy implications (calling into serious doubt the ages-old practice of converting the premia under quotas into “implicit tariffs” which were then used as estimates of protection in the sense that if the quota was replaced by an explicit tariff equivalent to the implicit tariff, the equilibrium outcomes would be identical).

It was also the first systematic analysis of trade policy in the presence of market structures other than perfect competition, and demonstrated formally the non-equivalence (in the sense defined in brackets above) of tariffs and quotas under imperfect competition. As such, two of the most creative trade theorists today, Elhanan Helpman and Paul Krugman, have cited it in their MIT Press book on Market Structure and Commercial Policy as a pioneering analysis in the integration of imperfect competition into the theory of international trade.

But, as with the theory of immiserizing growth pair of articles, Bhagwati’s yet more major contribution came later when he wrote a series of articles building on the 1965 insight that tariffs and quotas could be non-equivalent. For, when they are non-equivalent, Bhagwati asked a different question: pick a target like a given import volume or a given production level and ask: subject to this target, which instrument, tariff or quota, can be deployed at a lower cost? This was a dramatic change in the way the equivalence question had been posed. So, there followed a number of theoretical comparisons of different policy instruments, using Bhagwati’s new formulation. What emerged also was that the rank-ordering of policy instruments was sensitive to which target (e.g. import level or import-competing production level) was being held constant. Bhagwati thus managed to change fundamentally the way in which we now compare different policy instruments when they have non-equivalent outcomes.

Area (3): Transfer Problem: Unification of Welfare Analyses: Bhagwati has also made several influential contributions to the welfare-theoretic analysis of the transfer problem. In an illuminating synthesis, (with his distinguished collaborators Richard Brecher and Tasuo Hatta, writing joint papers in Quarterly Journal of Economics, American Economic Review etc.), he and his co-authors integrated the theory of the welfare effects

of transfers successfully with the theory of market distortions, unifying two important literatures in trade theory.

He and his co-authors also provided the definitive analysis of the transfer problem in the presence of three countries, distinguishing cases where there were market failures and where there were not, an analysis that has had immediate applications to policy discussions of aid.

Area (4): Conceptual Breakthroughs in Analyses of PTAs: In the theory of preferential trade agreements, Bhagwati has made conceptual breakthroughs (see Bhagwati, Panagariya, and Srinivasan, Lectures cit. Chapter 31 for a full analysis of these and related developments). He introduced, on a level comparable with Viner's path-breaking "static" analysis of trade diversion and trade creation, the "dynamic time-path" analysis distinguishing between PTAs, in terminology introduced by him, as stumbling and building blocks to multilateral trade liberalization. He also anticipated and formulated the "systemic" problem --- christened by him, and known universally now, as the "spaghetti bowl problem" --- posed by proliferating PTAs whereas Viner had analyzed only single PTAs.

[Amusingly, the Director General of GATT Pascal Lamy, when introducing Bhagwati at a Lecture at GATT, said that he had looked up Bhagwati on the "spaghetti bowl" terminology, and found that Bhagwati was up there with well-known chefs. Again, Mr. Kuroda, now the central bank Governor in Japan, liked the phrasing and concept so much that he appropriated it as his invention by calling it the "noodle bowl", in a throwback to the earlier decades when Japan appropriated foreign ideas and used them to its own advantage.]

Bhagwati has written extensively, in several books and Journal articles (AER, EJ etc.), by himself and occasionally also with coauthors (especially Arvind Panagariya), on these two problems since 1990. Some of the important theoretical analysis of the dynamic time-path problem is also by his students, now well-known international economists:

chiefly Pravin Krishna at Johns Hopkins, Nuno Limão at the University of Maryland, Rodney Ludema at Georgetown, and Caroline Freund at Peterson Institute for International Economics.

In addition, he has created a third important innovation in the analysis of Preferential Trade Agreements. He has identified how the PTAs are used by hegemonic powers to advance non-trade agendas, all pushed by developed-country lobbies (e.g. intellectual-property lobbies, labour unions, environmentalists, and indeed a growing number of others), and this converts the required analysis from one that analyzes only the economic consequences of PTAs regarded as trade institutions and arrangements into one that must incorporate centrally within itself the extraction of non-trade concessions. This theoretical analysis and policy is the central theme of his little book Termites in the Trading System: How Preferential Agreements Undermine Free Trade (Oxford University Press, 2008).

This early insight of Bhagwati has also influenced the evaluation of mega regionals such as TPP and TTIP which incorporate several “non-trade” features in them, all put in by lobbies and sold deceptively in a public-relations blitzkrieg as features of a “modern”, a “comprehensive”, a “20th century” trade agreement.

Area (5): Political-Economy Theoretic Analysis: Bhagwati has been among the earliest theorists to grasp the importance of political-economy-theoretic analysis. Principal among his influential contributions is his generalization in Journal of Political Economy etc. (1990, 2003) of Anne Krueger’s brilliant analysis of quantity-restrictions-generated rent-seeking to the general theory of “directly-unproductive profit-seeking” (DUP) activities that additionally brought under one fold the analysis of seeking generated by price interventions such as tariffs and also of rent-creating activities.

The important question of how to conceptualize and meaningfully measure the cost of protection in the presence of such unproductive seeking activities is also among his influential policy-relevant contributions, in several papers in the Journal of Public

Economics and elsewhere. This has led to a discarding of the sloppy practice of adding together the “cost of protection”-making (which could instead be a benefit because of second-best considerations introduced by Bhagwati) and the conventional “cost of protection”.

Area (6): Relative Merits of Unilateral Trade Liberalization versus Reciprocal Trade Liberalization: He also pioneered, initially 15 years ago and then later with Kyle Bagwell and Bob Staiger, the analysis of reciprocity versus unilateral trade liberalization: in his 1990 Introductory Chapter paper in the volume he co-edited with Hugh Patrick on Aggressive Unilateralism (Michigan University Press, 1991) and at full length in the Introductory Chapter of the 2003 volume he researched and edited, titled Going Alone, published by MIT Press.

Area (7): Unilateral Openness vis-à-vis Reciprocity in Openness: Joan Robinson, Bhagwati’s special tutor at Cambridge, had made the classic case for unilateral openness. As she put it graphically, if your trading partner puts rocks into its harbor, it would be a folly to put rocks into your harbor: it would only compound the losses. But this policy wisdom was challenged by Bhagwati’s MIT student, Paul Krugman, who argued that if USA was open but Japan was closed, USA would lose in trade. In essence, he argued that if Japanese and US firms in an industry were symmetric, i.e. had identical cost curves, the Japanese firm would have two markets (closed Japanese and open US markets) while the US firm would have only one (the US market). Therefore, the Japanese firm would be able to show lower marginal cost than the US firm, and therefore the US would lose to Japan. As Bhagwati noted in his critique of the Krugman-style argument, the problem lies with the assumption of symmetry. As he convinced MITI bureaucrats at the time, it is more likely that, sheltered in Japan’s closed market, the Japanese firm would resemble the grossly overweight Sumo wrestlers and be unable to compete with the more efficient US firm in third markets.

While President Trump believes that unilateral openness is harmful to the US, he argues from undefined notions of “fairness.” But Krugman provides an intellectual argument

supporting the Trump doctrine. So, the argument against unilateral openness may be described as the Krugman-Trump prescription or fallacy.

Area (8): Tariffs, Terms of Trade and Protection: The analysis of whether a tariff would necessarily raise the domestic price of the importable good and hence protect the importable industry has a huge tradition going back to Lloyd Metzler who showed that a tariff could paradoxically de-protect the importable industry. This analysis did not consider the complication arising from different assumptions regarding the disposal of the tariff revenues, prompting Bhagwati (in the Economic Journal) to distinguish between effects on real wages and real incomes (which included redistributed tariff revenues). In the most comprehensive analysis of the real wage impact, however, Bhagwati, collaborating with Harry Johnson (“A Generalized Theory of the Effects of Tariffs on the Terms of Trade,” Oxford Economic Papers, October 1961), extended and generalized the Metzler analysis to models incorporating assumptions such as variable labor supply.

Area (9): Trade in Services: His analysis of services and trade in services was seminal in many different ways. First, he destroyed the manufactures fetish dating back to Adam Smith. Second, his writings on trade in services contributed the taxonomy of trade where providers go to suppliers and the other way around, with immediate direct impact on the 1995 agreement on trade in services at the WTO. That agreement distinguishes among different “modes” of service transactions, as suggested by Bhagwati’s pioneering analysis in “Splintering and Disembodiment of Services and Developing Nations,” World Economy, June 1984. Third, he also introduced there the new concept of Splintering of Services, showing how for example, painting cars on the assembly line could “splinter off” so that painting is provided by service firms and is then classified as services whereas it was earlier classified as car manufacture.

Fourth, he wrote several letters and articles in the Financial Times etc. (e.g. “Free Trade can cut Health Costs,” in Journal of Financial Times, June 1, 2009, Commerce, April 1993; and with Sandeep Madam in Wall Street Journal, May 27, 2008) on how the healthcare changes, whereby many new people were insured now, would not work unless

they could find doctors and that introducing international transactions in medical services would address the problem.

Area (10): Prying Open Foreign Markets: Back to Adam Smith but without Sophistication: Bhagwati was among the first to recall, (e.g. his book with Hugh Patrick, titled Aggressive Unilateralism) that Adam Smith had long ago argued that one could use protection to “pry open” the protected markets of others. So, he had commissioned a cartoon, for the cover of his Aggressive Unilateralism book, which showed Uncle Sam prying open oysters! But, unlike some of President Trump’s advisers, one had to recognize that these may be retaliation. Would then the Adam Smith policy still leave one with welfare improvement? There is a substantial literature on this subject and the answer naturally depends on how the retaliation game is played: a subject on which the seminal, early analyses are by Tibor Scitovsky and Harry Johnson. While the final outcome may still be welfare-improving for a country using the Adam Smith policy prescription, despite retaliation, there is also the political-economy problem that the industries which have been protected to pry open foreign markets, may get addicted to their protection and this may be an enduring element of loss from the Adam Smith policy of using protection to pry open foreign markets.

Area (11): Use of Section 232, National Security Provision of US Legislation: The use of Section 232 to impose tariffs on imports of steel and aluminum, Bhagwati has uniquely argued, represents an assault on the postwar world trading system in a manner that has not been understood accurately by its critics. The use of national security provision enables President Trump to replace the essentially market-determined access to US by politically-determined access, with favored entry granted to “friends” and “allies” and denied to others. One would have expected that Canada and the EU would have denounced the use of Section 232 in these terms. Instead, the world witnessed a scramble by these politicians to get exemptions and market access for themselves. Alas!

Area (12): Foreign Direct Investment (FDI) and Protection: “Tariff-jumping” FDI and “Quid Pro Quo” FDI: Bhagwati, along with Koichi Hamada of Tokyo and Yale

universities and others, extensively analyzed the positive and welfare consequences of attracting FDI by enacting tariff (or QR) protection, a policy embraced by China recently with success. He also analyzed the differential effects of attracting FDI in export zones, i.e. EP FDI, and attracting it for the domestic market, i.e. IS FDI: an analysis further extended by V.N. Balasubramanyam (especially with Salisu and Sapford, Economic Journal, 1996).

Bhagwati then, in several papers, including with Richard Brecher, Elias Dinopoulos, Kar-Yu Wong, and T.N. Srinivasan (Journal of Development Economics, 1987; and American Economic Review, 1992), analyzed theoretically FDI which was induced by, not actual protection of the domestic market, but by the threat of protection. E.g. the Japanese firm, say Toyota, was told by the US administration that Toyota's sales in US could not be left free unless Toyota produced some of its cars in the US. The "transplant" FDI by Toyota kept its exports to the US open: the latter was the "quid pro quo" for Toyota's FDI in US. Blonigen and Feenstra ("Protectionist Threats and Foreign Direct Investment," NBER Working Paper 5475, March 1996) have produced a superb empirical analysis of such Quid Pro Quo DFI.

IV. Policy Impact in Other Areas

Bhagwati's scholarly contributions have had a significant impact in many other ways. Chiefly:

First, He played a principal role in the 1960s and 1970s, mainly through research projects at the OECD and NBER, in getting the developing countries to abandon their disastrous import-substitution policies, showing how they hurt growth and hence the reduction of poverty. [Among his collaborators in participating and then directing these massive projects were Professors Ian Little and Anne Krueger.]

This contribution to human welfare alone puts him in the ranks of major economists whose scholarly work has helped masses of poor people, as Larry Summers and others put it in their tribute to Bhagwati on his 70th birthday.

Second, he later turned to the issues of the world trading system, establishing a reputation that would lead him to be appointed as the Economic Policy Adviser to the Director General, GATT; External Adviser to two Directors General of WTO; and a Special Adviser to the UN on Globalization. These contributions provided the analytical framework for design of the world trading system within which the individual pursuit of free trade policies by countries would fit in.

Third, Bhagwati has made multiple pioneering contributions to the analysis of **international labour mobility**, which includes economic migration and refugee flows.

Thus, in a series of articles, symposia in journals and three books (North Holland and MIT Press), he pioneered the theoretical analysis of the **appropriate income tax jurisdiction in the presence of international personal mobility**, starting almost three decades ago. The question of the “Bhagwati tax” on nationals working abroad (eventually by extending income tax jurisdiction to citizens working abroad) became the focal point of extensive analysis by several distinguished theorists including Koichi Hamada, James Mirrlees, and John Wilson in both developmental and tax literature. From a policy viewpoint, this proposal has returned to center stage now.

He also proposed in 1991 the creation of a World Migration Organization and how its working could be organized. Moreover, as the refugee and illegal flows have become huge, the issues first raised by Bhagwati have now become very important.

On refugee flows, Bhagwati was the earliest proponent of the proposal that the countries that can receive refugees should receive them whereas those that cannot do so politically should provide funds to the former group: this is what the European Union is moving towards right now.

Fourth, in development, he proposed in the early 1960s the hypothesis, validated by over three decades of later experience, that growth had to be the principal instrument for

removing poverty, calling it an activist “pull-up”, not a passive “trickle-down”, strategy for lifting the unemployed and the underemployed poor into gainful employment. The ways in which growth is central to a poverty-eradication strategy, which he set out almost 25 years ago in his Vikram Sarabhai Lecture on “Poverty and Public Policy”, has been fully spelled out in a successful book with his distinguished collaborator Arvind Panagariya, titled Why Growth Matters (Public Affairs, 2014), which has received very favorable reviews worldwide in leading magazines and newspapers and was also among the Pick of the Financial Times in 2014.

Bhagwati’s impact on prosperity and hence on the reduction of several millions of the poor in India has been recognized in India. He is the intellectual “father” of the 1991 reforms in India that led to the acceleration of growth and the associated reduction of poverty: as recognized by many in India including the Prime Minister Manmohan Singh who implemented these ideas as Finance Minister, and later as the PM, at the time (see his tribute to Bhagwati on the occasion of the celebration of his 70th birthday).

Equally, now that the Prime Minister Modi has emerged with the huge majority in the 2014 election, the “second revolution” of reforms that the new PM has initiated also draws on Bhagwati’s ideas. Thus, Bhagwati has uniquely influenced Indian policy reforms, and the associated growth and poverty reduction, twice in one lifetime.

Fifth, his 1998 Foreign Affairs article on the **asymmetry between freeing capital flows and freeing trade** also proved influential, leading to worldwide impact in shape of multiple translations and awards. The IMF initially attacked the article but, under Blanchard, recanted and accepted the Bhagwati critique (Krugman was the only other economist to have advanced analytically the critique that Bhagwati had). Bhagwati had also advanced the concept of the Wall Street-Treasury Complex, which many economists (such as Simon Johnson) and political scientists have used. (See the Introduction to his collection of articles on the subject on his website).

V. Influencing Policy through Stylistic Writing

Writing about how G.H. Hardy brought Ramanujan the Indian mathematical genius, effectively to the attention of mathematicians worldwide, C.P. Snow has remarked that Hardy's gift as a stylistic writer helped immensely, that Ramanujan's success owed in no small measure to the grace with which Hardy wrote about Ramanujan (quoted in The Man Who Knew Infinity by Robert Kanigel, 1991, page 151).

Bhagwati has been similarly complimented by many for the grace with which he has written about the economic issues of his time, using wit, sarcasm, anecdotes, even poetry to put abstruse and complex issues across to general audiences.

Some Examples:

1. On In Defense of Globalization (Oxford University Press)
 - a. "If Bhagwati can't convert the unbelievers into enthusiastic globalizers, probably no one can.... [A]n amusing, charming, and erudite debater." – Paul Gray, New Leader
 - b. "A splendid and highly readable tour de force; arguably the best book yet on the great issue of our time." – Fred Pearce, New Scientist
 - c. "Literary references flow from the pages, from Lady Murasaki to King Lear to Woody Allen." – Daniel Drezner, New York Times Book Review
 - d. "An important contribution to an often incoherent debate. As we expect of Mr. Bhagwati, it is cogently argued and well-written... a persuasive case in favor of globalization." – Anne Krueger, Financial Times
 - e. "Mr. Bhagwati slams through fact after fact, statistic after statistic, demolishing those who claim the poor are worse off because of globalization. If Mr. Bhagwati doesn't get a much deserved Nobel Prize for economics, he should get one for literature. His writing sparkles with anecdotes and delightful verbal pictures." – Mike Moore, New York Sun
 - f. "Perhaps the best reason to pick up this book is Bhagwati's inimitable writing style. The book is laced with amusing vignettes and turns of

phrase.... All readers can profit from his provocative insights and lively style.” – Douglas Irwin, Finance and Development

- g. “In this elegant book, one of the world’s preeminent economists distills his thinking about globalization for the lay reader... Armed with a wit uncharacteristic of most writings on economics and drawing on references from history, philosophy, and literature... a substantial study that is about as enjoyable and reassuring a work of economics as may be possible to write in this uncertain age.” – Publishers Weekly (starred review)
- h. “Jagdish Bhagwati has written a brilliant book about the conflict between freedom and justice. The book is beautifully written, provoking without sermonizing. You may not always agree with him – I don’t – but *In Defense of Globalization* is bound to become a classic.” – Richard Sennett, London School of Economics and New York University
- i. “This book will make history. It will also be a blockbuster, not only because of the depth of Bhagwati’s powerful argument backed by extensive research, but also because it is immensely readable and surely the most humorous piece of economics ever written.” – Hernando de Soto, author of The Other Path and The Mystery of Capital

2. On Trade Issues and on Protectionism (MIT Press)

- a. “Of the scholars who have engaged in the public debate on trade, none matches Jagdish Bhagwati.” – Martin Wolf, The Financial Times
- b. “Jagdish Bhagwati is a leading economist of international trade – many think the world’s leader in the field and also a public intellectual... He writes with panache.” – Charles P. Kindleberger, The International Economy
- c. Review of Protectionism (MIT Press): “The most eloquent statement to date of the logic of open trade.” – Peter Passell, The New York Times Book Review

- d. “In this one small book, protectionism—the major policy issue of our time – has been beautifully summed up by Professor Bhagwati. A ‘tour de force’!” – Paul A. Samuelson

3. General Praise of Style

- a. “In a profession that prizes elegance of algebra more than prose, Jagdish Bhagwati is a sparkling exception. He is a brilliant economist... who also happens to be a gifted, mischievous and passionate writer... [He offers] a smorgasbord of elegant prose, superb economics and impish opinions.” – Zanny Minton-Beddoes, Times Literary Supplement; currently Editor of The Economist
- b. “Mr. Bhagwati has long been a Nobel Prize contender for his contributions to the theory of international trade – contributions leavened by apt metaphors, clear examples and even poetry.” – Sylvia Nasar (Author of *A Beautiful Mind*), The New York Times
- c. “In Bhagwati’s hands, economics, the dismal science, is transformed into a delightful art. Without sacrificing rigor, and skillfully blending history, politics, economic analysis, and wit, he makes reading [him] a treat.” – Paul Streeten, Former Fellow, Balliol College, Oxford

VI. Influential Writings on Several Social Issues

Bhagwati’s writings have also spanned a number of “social” issues.

- (i) He was an early pioneer in writing about **the role of democracy in development** (his essays and lectures on the subject have been reprinted in his recent collections of essays).

In particular, in several contributions praised by Al Stepan, the former Gladstone Professor in Oxford and President of the Central European University and a noted authority on Democracy, Bhagwati noted that, while it was customary to think

that it was only the literate classes who worried about *habeas corpus* who valued democracy, it was the illiterate classes who valued democracy. For, while economic improvement took a long time, political assertion was immediately available to the illiterate multitudes during elections which enabled them to bundle out the ruling classes. Democracy mattered politically more to the poor and the illiterate than to the rich and the literate.

He also argued how **globalization** had also been a great leveler for the poor, contrary to assertions to the contrary by ideological critics. Thus, when the Pakistani workers in the Middle East returned home, they flew sitting next to the members of the upper classes: hierarchical segregation within Pakistan broke down thanks to international migration.

- (ii) Furthermore, Bhagwati advanced **the definition of religious freedom** beyond the conventional discussions by Isaiah Berlin et. al. by distinguishing between negative freedom and positive freedom in an influential op. ed. in the Financial Times in April 2004.

Negative freedom implies the conventional freedom to practice your religion. Positive freedom, on the other hand, implies the parity of different religions in public displays (e.g. equal access to public space such as university convocations so that prayers are offered by ministers and pastors of all religions). An excellent example of the latter is Mahatma Gandhi's practice at his public meetings of having excerpts read from several religions in India.

The practice of positive freedom is contrary to the conventional exclusivity, especially in the proselytizing religions such as Christianity and Islam, in public space.

- (iii) He also pioneered the analysis of **gender discrimination** (long before the focus on this issue later by Amartya Sen etc.) in nutrition and education in his

celebrated 1973 article in World Development (Oxford) and more recently in Chapter 7 on the effects of globalization on women in his book In Defense of Globalization (Oxford: 2004).

- (iv) When the mocking cartoons were published and Muslim sentiments were aroused, and President Anders Fogh Rasmussen and Chancellor Merkel refused to bow under pressure from several Muslim governments and asserted that their citizens were free to draw cartoons as they wished, Bhagwati wrote an article in The New Republic, asserting our values which required that we defend and safeguard what he called the “**right to mock.**”

But he also argued that, to reassure Muslims that the mocking was not to be defended only when it was addressed to Muslims, a day should be set aside when major newspapers worldwide would publish cartoons simultaneously mocking several religions.

- (v) Bhagwati also hypothesized when he was in Chennai over a decade ago that, since cesareans allowed the choice, within limits, of an “auspicious” date for delivery, we should be able to detect whether cesarean deliveries were timed to be on auspicious days. With the late Professor T.N. Srinivasan and Professor Muraleedharan of IIT in Chennai, he set up a project to explore this hypothesis, using both raw data on deliveries in the Chennai area and collecting fresh data. One implication also is that cesarean deliveries will be chosen, if they can be so timed, in preference over “natural” deliveries. Again, cesareans are preferred when pregnant women “fear” natural childbirths. Also, gynecologists have a financial interest in cesarean deliveries not merely by earning through current delivery but also because, the “next delivery” will usually also be by cesarean. Again, because when a family is interested in preventing future deliveries, men usually seek to use a cesarean delivery to do a hysterectomy, preferring to avoid the alternative of a vasectomy. All of these factors affect, and favor, cesareans,

which often are inferior to natural deliveries, with the traditional assistance of midwives, and can be relatively harmful to the delivering mother's health.

VII. Trade and Demands for Harmonization of Differential Policies and Standards among Nations as Preconditions for Free Trade among Them

Bhagwati, jointly with the late Professor Robert Hudec of the University of Minnesota (who was arguably the most eminent trade jurist of his time) ran a major project with the world's leading trade economists and lawyers of that time, examining the issues raised by those who claimed that we needed to harmonize different policies and institutions (e.g. different labour and environmental standards) in different trading nations before engaging in free trade among these nations.

This resulted in two substantial MIT Press volumes (1996), one dealing with Economics, and the other with Legal issues. These pioneering analyses were widely praised.

Today, the issues analyzed by Bhagwati, Hudec and several eminent trade economists (e.g. Andre Sapir, Alan Deardorff, T.N. Srinivasan, John Wilson and Alessandra Casella) and lawyers (e.g. David Leebron, currently President of Rice University, Frieder Roessler, Ron Cass and Mitsuo Matsushita), have acquired center stage in discussions of free trade (e.g. in the United States where populists and even politicians in the Congress and the Administration, have resurrected flawed demands for harmonization as preconditions for free trade among nations and have made such harmonization a feature of projected mega-regionals such as TPP and TTIP).

VIII. In Defense of Globalization: Why It Has a "Human Face"

That integration into the world economy will lead to disintegration of the national economy (what Bhagwati has christened as the "malign impact" argument) is a fear that developing countries subscribed to. In a role reversal, that fear came to afflict the developed countries over a decade ago.

Today, it has deepened and acquired the further dimension that, as the Occupy Movement has asserted, Globalization (i.e. integration into the world economy) also harms the poor. In addition, after the WTO meeting in Seattle, many argued that Globalization was responsible for many social ills such as child labour, gender discrimination, undermining of democracy etc., i.e. that Globalization lacked a Human Face.

In his book, In Defense of Globalization, Bhagwati analyzed sympathetically these arguments against globalization but concluded that they did not survive critical scrutiny. Hence, he concluded that Globalization indeed had a Human Face. As for policy intervention, he also concluded that, if Globalization had been harmful to the social causes, you would have to reduce it at the margin, so that there would be a tradeoff between income and social benefits. For instance, if it hurts children, then we would reduce the income gain from Globalization and trade it off against less exploitation of child labour. On the other hand, if Globalization advanced the social issues, we still can think of policy intervention in a different sense: policies can be devised to add to the good outcome. There is no reason to treat the speed at which Globalization creates good outcomes as the optimal speed. Bhagwati's book was therefore an important breakthrough in the way we considered Globalization and the policies that were called for.

IX. Environment: Seminal Analyses

Bhagwati has also made significant contributions to the analysis of environmental policy. In particular, in a much-cited op ed on the center page in the Financial Times (August 16, 2006), Bhagwati pointed out that the problem with Kyoto was that its architects were exempting developing countries from current "flow" obligations on the ground that they were not responsible for past carbon emissions which were the "stock" contributions of the developed countries. So, one policy instrument, exemption from current "flow" obligations, was being assigned to developing countries because of their not having contributed to the "past" emissions, i.e. the "stock" argument. So, Bhagwati separated the flow and stock issues and argued that we needed two instruments to address two targets.

In short, we needed to institute a Superfund, like in U.S. domestic legislation for past pollution damage (with strict liability, meaning that even if there had been absence of scientific knowledge about the pollution damage, the polluter would have to pay for pollution cleanup), which would be used to assist the developing countries because they were not responsible for "stock" pollution, while they had to accept full liability for current, i.e. "flow" pollution.

This suggestion has proven influential and was immediately written up approvingly by many, chiefly Professor Cass Sunstein of Harvard. It also led to Bhagwati's being included in a prestigious set of video interviews with eminent economists on the Environment, recorded by the World Bank and played at the Copenhagen meeting on renewing the Kyoto Protocol.

In addition, several other issues raised by concern for the environment have been analyzed by Bhagwati in Chapter 11 of In Defense of Globalization and also in the collection of several articles on the environment (op. cit.) on his website.

X. Education: Theory Modeling the Fairness-in-Hiring Rule and Resulting Socially Unproductive Education as an Alternative to Becker's Productive Human Capital Approach

Gary Becker's theory of human capital considers how education improves productivity. It was recently highlighted as one of six "big ideas" by The Economist magazine (August 3, 2017), but the writer failed to highlight the fact that, in explicit contrast to Becker's theory, Bhagwati and Srinivasan had modelled in general equilibrium, in an influential paper in The Journal of Public Economics (Vol.7, 1977), an alternative theory of education, reflecting the observed situation with liberal arts education in many developing countries. They had noted, and modeled, the fact that in many countries with surplus labour, and lack of jobs (characterized by sticky wages), students acquired more and more watered-down "law" and liberal arts degrees to outcompete others with fewer degrees for jobs that objectively required no degrees. They saw the hiring being done so

as to reward candidates with more degrees, this being what Bhagwati and Srinivasan called the "Fairness-in-Hiring Rule". Such a rule implies social waste, of course, unlike the human capital modelling of education by Becker. Elimination of such waste requires delinking success in job seeking from more acquisition of degrees. This can be done by randomized selection from all candidates that have a degree, the acquisition of more degrees being disregarded as a criterion for success in getting the available job.

Anne Krueger has also observed and commented on this phenomenon which she apparently observed in Turkey whereas Bhagwati and Srinivasan had observed the phenomenon in India. [Surprisingly, the columnist Surjit Bhalla has recently published a ranking of countries by their capital stock, adding to the measure their "educational capital," using the Becker approach whereas many developing countries are in the Bhagwati-Srinivasan-Krueger situation where education is not socially productive.]

XI. Foreign Aid: Bono, Sachs and Deaton

In an influential review in Foreign Affairs (Jan/Feb 2010) of Dambisa Moyo's celebrated book (titled Dead Aid, 2009) on Foreign Aid, (which had splendid endorsements from "Africanists", multilateralists and UN Secretary General Kofi Annan), where she made an impassioned critique of the assertions of the economist Jeffrey Sachs and the singer Bono, Bhagwati provided a historically-informed and witty evolution of the approaches to foreign aid. The review was edited down but has achieved considerable circulation in its full version, which is available (April 2010) on Bhagwati's website.

Yet another classic contribution of Bhagwati to the "aid debate" has been to distinguish between "aid for Africa spent in Africa" and "aid for Africa spent outside Africa." The "Sachs Fallacy" is to assume that aid must be spent in the recipient country when, in fact, it can be spent elsewhere with more impact on creating public goods such as vaccines for yellow fever etc. instead. This idea was picked up by several writers, including the distinguished journalist Sebastian Mallaby (Washington Post) and was advanced by Bhagwati also in a Boston Review symposium where the recent Nobel Laureate Angus

Deaton was a participant and who recently wrote an op ed in Financial Times advocating what Bhagwati had advocated many years earlier.

XII. Cross-Fertilization of Disciplines: Law

Bhagwati has been an early pioneer in working with eminent lawyers in fields as diverse as (1) tax jurisdiction in the presence of labour mobility (with Martin Partington of LSE and Richard Pomp of the University of Connecticut, and Frank Newman of Berkeley, a leading authority on Human Rights), and on several other issues such as (2) Demands for Harmonization and Fair Trade as conditions for Free Trade, with Robert Hudec of Minnesota, and (3) with Petros Mavroidis of Columbia and Geneva on the French demand to use trade sanctions against the United States for its failure to sign the Kyoto Protocol (a question raised again in regard to the demand to levy duties on imports from countries with lower environmental taxes than one's own).

XIII. Improving Journalism

Recognizing that traditionally, the schools of journalism, even the outstanding one at Columbia which hands out Pulitzer Prizes, produced “journalists who were taught how to write but not what to write” (i.e. they had no knowledge of elementary Economics, Law, International Relations and lacked training in any region such as Japan or India), Bhagwati and Dean Al Stepan introduced Media Specialization in SIPA. Bhagwati co-taught with James Chace a course on writing op. eds. on economic subjects. The students had the requisite exposure to elementary Economics, Political Science, International Relations, plus an Area Specialization. The SIPA students were snapped up by newspapers, magazines and TV shows in preference over Journalism-School graduates!

By now, The Journalism School has learned the lesson and has drawn on Columbia Faculty in different disciplines to teach in the School. E.g. Bhagwati has taught Economics to Journalism students jointly with Sylvia Nasar and also with Tunku Varadarajan.

XIV. Poverty and Income Distribution: From early 1960s to the Present

From the time when Bhagwati returned to India after Oxford in 1959, he was involved in serious research at India's Planning Commission on how to raise the incomes of the poor who were below a poverty line. Equally, he served under Professor Mahalanobis (F.R.S.), Chair of the Committee on Income Distribution, and wrote influential papers on income distribution under alternative economic and political regimes, concluding in one analysis that income distributions seemed to be similar across different regimes and therefore, if incomes of the poor were to be raised, it was best to "grow the pie".

His 1966 book on The Economics of Underdeveloped countries (McGraw Hill, Weidenfeld & Nicolson, and published simultaneously in several languages), had the picture of a starving child in it, leading some to comment that Bhagwati had gone bananas. Also, its Chapter 1 was titled Poverty and Income Distribution.

At the time, the Indian planners focused mainly on poverty reduction as the central objective. This is also the focus of Pope Francis as distinct from the alternative focus of the Occupy Movement on the rich. The former appeals to our noble instincts of empathy for the poor, the latter instead appeals to our base instincts such as envy of the rich.

Given the recent writings of Piketty, Bhagwati has returned again to the early discussions of the poor and the rich, in Lectures in Berlin (the Weizsäcker Lecture at the American Academy and the Freie University), the London School of Economics (the Stamp Memorial Lecture) and elsewhere. He is finishing a manuscript, based on these Lectures and other related research, titled Poverty, the Pope and Mr. Piketty. It will also take apart Mr. Piketty's allusions to English Literature, showing for instance that he misunderstands Jane Austen who actually shows that the wealth and status of the wealthy does not necessarily translate into domination of the classes below: e.g. Elizabeth Bennett wipes the floor with Mr. Darcy.

Also, Bhagwati argues that Piketty's "time series" treatment of the wealth of the top earners fails to consider that people move in and out of that group. Amusingly when Bhagwati asked a French colleague why Piketty in his references to literature had omitted mentioning Thomas Mann's famous Nobel Prize winning novel Buddenbrooks where the wealthy family declines over three generations, he replied amusingly: "in France, we do not consider German literature to be literature".

XV. Some Phrases, Concepts, and Witticisms from Bhagwati

Bhagwati's success in public policy depends partly on his ability to come up with phrases and concepts that "catch on". In particular:

- (i) Changed FTAs to PTAs, with the latter more appropriate for preferential trade liberalization;
- (ii) "Spaghetti Bowl" phenomenon to describe the chaotic criss-crossing of tariffs and rules of origin that countries with several PTAs generate;
- (iii) "Dynamic time-path" analysis of PTAs in the sense that a PTA may or may not lead other non-member nations to join the PTA;
- (iv) In this vein, he also distinguished between PTAs that served as "building blocks" for world free trade, and "stumbling blocks" instead, a terminology which came into much use;
- (v) Rejected the conservative terminology of "trickle-down" in developmental-strategy literature and replaced it with the radical terminology of "pull-up" strategy;
- (vi) Distinguished between Track 1 reforms such as freeing of trade and inward direct investment which would lead to greater growth that would directly help reduce poverty by increasing opportunities for the poor, and Track 2 reforms that would harness more efficiently the spending of the growth-generated revenues on health, education etc., which would additionally help the poor;
- (vii) Whereas Professor Kindleberger had written about the "altruistic" hegemon where a hegemon would provide public goods to the world

economy, Bhagwati advanced the possibility of what he called a "selfish hegemon" where the hegemon would use its power to advance its own interest, as seemed to be the case with the Clintons and is more tellingly with Donald Trump after the last U.S. election.

- (viii) He christened the U.S. demands on Japan to accept import obligations as VIEs ("Voluntary" import expansions) as a counterpart to VERs ("Voluntary" export restrictions) and analyzed their functioning. Such VIE demands have returned to center stage under the Trump administration, making Bhagwati's analysis relevant again.
- (ix) Bhagwati also emphasized that the Gini Coefficient, widely used in policy discussions of income distribution, was a treacherous concept because the same coefficient was compatible with several alternative income distributions. He therefore amusingly argued that the "Gini should be put back into the bottle."
- (x) Bhagwati introduced (in Chapter 2 of his classic book on Protectionism in 1988) the terminology of the "Three I's" (ideas, institutions, and interests) in the context of explaining how the trading system responds to a crisis. Thus, by contrast to the 1930s, the trade response to the 2008 crisis has been muted because: (1) ideas have changed so that few now believe that a macroeconomic crisis requires a protectionist response; (2) now we have the GATT/WTO which has set up constraints on how freely tariffs can be raised whereas there was no such institution in the 1930s; and (3) interests, i.e. lobbies, have grown up thanks to an interdependent world economy which constrain the use of tariffs as well because export interests now will contain import restrictions which may lead to foreign retaliation that undermines the export markets.
- (xi) Bhagwati has also introduced, in the context of corporate social responsibility, the notion that what is offensive is not the skewed distribution of income but conspicuous display of it. Equally, what matters at the bottom of earned incomes is access to the higher incomes. So, he has introduced the catchy phrase for today's politicians as they cope with

the populist revolt in several Western countries: "**Less Excess, More Access**", which fits nicely at the back of cars.

- (xii) He decried the ability of the wealthy to escape retribution from the regulatory authorities by paying what amounts to paltry fines, writing in favor of imprisonment. In this context, he wrote strikingly that these offenders who are into stocks and bonds should be put in stocks and bonds.
- (xiii) At Davos, where President Obama astonishingly abandoned multilateralism in shape of the Doha Round, Bhagwati joked at a Panel that included Prime Minister Cameron and Chancellor Angela Merkel who were supportive of the Doha Round, that perhaps there was a benign interpretation to be put on President Obama's refusal even to talk about the Doha Round, that he wanted to bring civilized discourse to Washington, DC, and he did not therefore wish to utter a four-letter word.
- (xiv) When a well-known economist started writing populist articles after becoming famous for his research, Bhagwati remarked: he was a savant when he got the Nobel, then he became an "idiot savant" and now he was just an idiot.

XVI. Celebration of Major Figures in International Trade

Bhagwati has not merely produced nearly all of today's major international economists (among them Paul Krugman, Robert Feenstra, Gene Grossman, Douglas Irwin, Richard Brecher, and Don Davis) but has also written perceptively about several major figures in international economics in the post-war period, thus enabling students and scholars to see how the subject has evolved in the 20th century.

Important here are the following:

- (1) Bhagwati organized, when he was Editor of the Journal of International Economics, a special supplement also with superb photographs in 1982, with

his own portrait of Harry Johnson, Randall Hinshaw's portrait of Roy Harrod, Paul Samuelson on Bertil Ohlin, and John Chipman on Gutfried Haberler.

- (2) Bhagwati has also written extensively on Adam Smith. Aside from Area (10) above, where he considered Adam Smith's discussion of using protection to pry open foreign markets, Bhagwati has also written several influential articles critiquing Adam Smith's "manufactures fetish" (collected in Section 4 of his "[Writings on Free Trade](#)" on his website). He has also written with new insights on Adam Smith on "Markets and Morality" (e.g. [American Economic Review](#), 2011). He has also debated the philosophers Bernard Henri-Levy and John Gray in London on the related issue whether free markets corrode moral character, arguing that they instead strengthen it.
- (3) Bhagwati also wrote for the Nobel Prize Committee for Arthur Lewis who was then awarded the Nobel Prize.
- (4) Bhagwati also organized a [festschrift](#) for Paul Rosenstein-Rodan. He subsequently also wrote in 2018 a portrait of Rosenstein-Rodan with Richard Eckaus of MIT.
- (5) Bhagwati has also written twice about Raúl Prebisch, a major figure in South America and a remarkable figure in both international trade and development economics. While Bhagwati disagreed with Prebisch's views on policy, he provided sympathetic insights into Prebisch's thinking.
- (6) Bhagwati wrote for the [festschrift](#) for T.N. Srinivasan, his longtime collaborator in trade theory and a leading developmental economist and polymath ([Trade, Growth and Development](#), ed. by Gus Ranis, 1999). When Srinivasan died in 2018, Bhagwati also worked with Martin Wolf who then wrote an excellent obituary in the [Financial Times](#) on Srinivasan.

XVII. Krugman Tribute

In short, his scientific achievements, his policy contributions, and his public writings and presence, have made Bhagwati a uniquely influential economist. As noted in the citation on his election to the Distinguished Fellowship of the American Economic Association (written by Paul Krugman):

“Jagdish Bhagwati’s intellectual arc has taken him from profound theoretical analyses of international trade to deep insights into the political economy of globalization. No economist now living has displayed so potent a combination of academic analysis and practical wisdom.”

XVIII. Trebilcock Tribute

“It is relatively rare for a family to bequeath two iconic siblings—in this case brothers—to the world. But the Bhagwati family unambiguously has left us this legacy. Jagdish Bhagwati is a towering figure in post-war international trade economics and policy who has had a profound impact on this field world-wide, including my own thinking and scholarship and most other scholars in the field. His brother, the late Chief Justice Bhagwati of the Indian Supreme Court, has had a similar impact on the development of the field of human rights and public interest litigation, not only in India but well beyond. We are all hugely in the Bhagwati family’s debt.”

—Michael Trebilcock

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