Wharton School dean: Leverage economic differences

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China and the US should continue to focus on win-win collaboration and leverage differences in a compatible way that benefits not only the two nations but the world, Geoffrey Garrett, dean of the University of Pennsylvania's Wharton School, said during the 2018 Wharton Global Forum in New York on Wednesday.  
"Unfortunately, the politics of economic policy is still thinking in this very old mindset – export we win; import we lose," said Garrett. "That makes no sense in a global economy of global distribution with global supply chains."  
Garrett, who has been dean of the prestigious Ivy League business school in Philadelphia since 2014, said it's true that the world's two largest economies have many differences, but taking the business and economic differences into account, there is room for collaboration.  
"Economics says the differences are incredible assets – comparative advantages, division of labor, all stuff you read in economic textbooks says you should leverage differences," said Garrett, a native of Australia specializing in international political economics who also has been a professor at Oxford, Yale and Stanford universities.  
He said that in past decades, the US and China successfully leveraged their differences in a complementary way: "First by outsourcing manufacturing to China at a lower cost, and most recently by the rise of the Chinese market and the incredible impact that's had on firms such as General Motors and Apple. So in the past 40 years, the differences really have been a source of economic strength for both sides; it's been a win-win."  
Garrett, however, said that recently those differences have become more political.  
"When you politicize the differences, you tend to focus on frictions and win-lose, not on win-win," he added. "And I certainly hope that we continue to focus on the win-win because I think the scale of the win-win is just so big."  
During a "Future of US-China Relations" discussion, Garrett said that friction between the US and China is more about the future of innovation, which echoed an opinion journal Garrett wrote last month.  
"My economics training tells me it does not matter 'who wins' in innovation, because the whole world will benefit from more innovation no matter where it comes from. Moreover, it is clear that the US and China are complementary where innovation is concerned — the US has a comparative advantage in incubating innovation; China's comparative advantage is scaling it. This makes cooperation so much better than conflict," Garrett wrote.  
"If China and the US can't cooperate or collaborate and continue what they've done in the past 40 years, that's not only bad for the two countries but bad for the whole world," he said.

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