

# The Second Great Divergence: The Rise of India and the Fall of the American Dream

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*"This insecurity hits right at the heart of the American Dream, the idea that people who work hard will improve their lots and the lots of their children. This concept, which makes America unique, is being shattered by the outsourcing of American jobs to cheap foreign labor markets, which is nothing less than a direct result on hardworking middle-class men and women in this country."*

-Lou Dobbs, in the foreword to *Outsourcing America*

*"It's certainly difficult for individuals to think about "their" work going away, being done thousands of miles away by someone earning thousands of dollars less per year. But it's time to think about the opportunity as well as the pain, just as it's time to think about the obligations of off-shoring as well as the opportunities...Every person, just as every corporation, must tend to his or her own economic destiny, just as our parents and grandparents in the mills, shoe shops and factories did."*

-Thomas Friedman, *The World is Flat*

*"A great civilization is not conquered from without, until it has destroyed itself from within."*

- Will Durant

If you type in "American dream" on Amazon.com and search for books by the most recent publication date, the first three entries you receive are quite alarming. Included in the titles are *The Audacity of Hope: Thoughts on Reclaiming the American Dream*, *Reclaiming the American Dream*, and *Wrecked: Waking Up on the Other Side of Your American Dream*. When was the American Dream lost? And why is there such an emerging dismal attitude within America, considered the world's only superpower? To adequately understand the issue, one must first understand the world today. We live in a time unlike any other, where someone in Kansas can communicate with someone in Russia in split-seconds. Also, the world is evolving at exponential speeds. For instance, where it took television thirteen years to receive fifty million users, it took the Internet only five. Ten years ago, one bought a desktop computer to use the Internet. Five years ago, the laptop computer became more popular. Now, one can access the Internet using a tiny cell phone. As the Greek philosopher Heraclitus claimed, "Nothing endures

but change". Yet what does all this mean for America, the world's largest economy?

Today, America is the world's most advanced economy. Millions of foreign students compete for American visas to gain access to our high-tech industries. America's collectivization of some of the world's most brilliant minds bears strong resemblances to the England of the 18<sup>th</sup> century, where engineer and entrepreneur gathered together to thrust forward the Industrial Revolution. Though in 1800 it was England building steam engines and now in 2000 it is America building supercomputers, the historical principles are relatively unchanged. Historians of the Industrial Revolution have concentrated primarily on the causes, why the Revolution happened when and where it did. Two examples of this include Kenneth Pomeranz' work, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* and Margaret Jacob's *Scientific Culture and the Making of the Industrial West*. Pomeranz believes the "Great Divergence" of Europe over the rest of the world was made possible by the fortunate location of a coal source in England and the transatlantic trade between Europe and the New World. Jacob takes a different view, highlighting the great distribution of scientific knowledge in Europe made possible by the recent Scientific Revolution itself. Though these viewpoints are specific to the Industrial Revolution, they also have broader applications toward our own technological revolution and the future of our ever-changing world.

While it was the rise of the West in the seventeenth century, it is the rise of the East now. It is predicted that the economies of India, China, and Japan will soon challenge and topple American dominance in the global marketplace. The principles of the Industrial Revolution are highly foreboding for America's future. America lacks the buzzing scientific culture that Jacob found such a key to European success in the 18<sup>th</sup> century. Our school system is deplorable, and certainly weaker than those of less developed countries. America also lacks Pomeranz' "coal", translating presently to an adapting labor force capable of handling and pushing forward our current technological revolution. To fix this problem, many American companies have begun to outsource jobs to countries such as India, who can provide the labor for half the price. These are valuable jobs, including accounting work, medical records, and most importantly, the IT and software industry. As these countries become more and more developed and outsourcing continues to grow and expand, many experts have begun to foreshadow a rise of East over West in the coming years. Roger Bootle, an economic adviser to the Deloitte consultant firm, believes that the rise of the East "will radically reshape the location of economic activity across the world." Bootle believes this to be "the Great Displacement. It is the modern equivalent of the development of North America in the 19<sup>th</sup> century—only bigger." The British newspaper *The Guardian* agrees, "New superpowers (like India and China) will arise to challenge America's supremacy, just as imperial Germany and the U.S. itself were challenging Britain's by the end of the 19<sup>th</sup> century."<sup>i</sup> In explaining his "Great Divergence", Pomeranz writes: "Thus, highlighting the factors I have chosen seems to me a reasonable, rather than reckless, invocation of the principle

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<sup>i</sup> Sheshabalaya, *Rising Elephant*, 14.

that not so large initial difference can lead to vastly larger future ones.”<sup>ii</sup> Is this the second Great Divergence? I would argue with Pomeranz, that though some job outsourcing and failing American schools do not matter greatly at present, in the future they may be scrutinized more to explain how the East conquered the West in the 21<sup>st</sup> century.

This paper will focus first on the elements of the American Dream, and how those basic principles translate in today’s world. While drawing on the works of Industrial Revolution historians, I will focus less on the Revolution itself but rather its applications to our own society and its future and the lessons we can learn from its precedence. The first section of my paper will highlight the current debate on outsourcing, on one hand the protectionist perspective and on the other the advocacy of free trade. I will then show how outsourcing has begun to invade American political policy, both in the involvement of the laid-off American worker and the growth of the issue in our political arena. The next section will illustrate the rise of Indian industry in response to American outsourcing and also India’s superior potential for growth. Finally, I will attempt to show the deep problems within America, and that if left unchecked will cause a shift in the global balance of power, resulting in a rise of East over West in the coming years.

### ***Reclaiming the American Dream: Translating to Today’s World***

The elements of the American Dream include American capitalism, maximizing profit while minimizing cost. Outsourcing complements this philosophy. However, there is another, sometimes uglier side to the American Dream. Before the founding of America, many saw it as a utopia, a paradise, or what John Winthrop famously referred to as a “City on a Hill”. This philosophy has evolved over the course of America’s history, coined in 1839 by John O’ Sullivan as “Manifest Destiny”. Americans have long believed that they are the greatest nation in the world, embodying an ideal to which the rest of the world should aspire. The concept of outsourcing American jobs directly opposes this view, causing much dissension by American workers. The inevitable result of the increase in outsourcing of American jobs is the decline in domestic job opportunities. Those who have lost their jobs and their supporters see this as a direct attack on their working abilities, and most importantly, their intelligence.

It is this attack that authors such as Mike Rose and Ron and Anil Hira have challenged. Rose, in his *The Mind at Work: Valuing the Intelligence of the American Worker*, presents several occupations and describes how each requires certain cognitive abilities.<sup>iii</sup> In the introduction, he notes,

How interesting it is, though, that our testaments to physical work are so often focused on the values such work exhibits rather than on the thought it

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<sup>ii</sup> Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton Univ. Press, 2000).

<sup>iii</sup> Mike Rose, *The Mind at Work: Valuing the Intelligence of the American Worker*, (New York: Penguin Group, 2004).

requires. It is a subtle but pervasive omission. Yet there is a mind at work in dignity, and values are intimately related to thought and action.<sup>iv</sup>

Rose's viewpoint is that intelligence can be a difficult measurement, and that jobs we find basic, such as waitressing and carpentry, need very skilled abilities. His belief addresses the studies whose results show the low intelligence of the American public. For him, a waitress who cannot understand computers but can still memorize ten different orders exemplifies not the lack of Americans' skills, but the lack of educational opportunity provided.

Enhancing Rose's thesis, Ron and Anil Hira sought to challenge the economic benefits to outsourcing. Their claim was that outsourcing was not natural, but rather the result of promotional government policies. The message of their book, *Outsourcing America: What's Behind Our National Crisis and How We Can Reclaim American Jobs*, is enumerated in the preface:

We write this book unapologetically for the layperson rather than the academic or expert. We think all Americans should understand the issues at hand so that they can have a chance to participate in making the decisions that affect their livelihood.<sup>v</sup>

Hira and Hira claim that American workers are the victims of greedy corporations and politicians who lack the foresight to understand the future of their actions. Their argument has merit in showing that outsourcing has just as many risks as benefits. Computer and science enrollment dropped twenty percent between 2004 and 2005, yet outsourcing had its own role in this decrease.<sup>vi</sup> As more Americans are losing their jobs in the IT industry, fewer students will find reliability in computers/science as majors. Their solution lies in border control, both with departures and arrivals. For them, there are enough capable workers to supply the needs of the American IT industry. Their argument encompasses the protectionist, restrictionist viewpoint.

### ***Open the Doors***

The alternative view, embracing free trade and globalization, argues directly against the viewpoints of Rose and the Hiras. While Todd Buchholz' *Bringing the Jobs Home: How the Left Created the Outsourcing Crisis—and How We Can Fix It*, shares the basic message that jobs should be kept in America, his theory on how that will be accomplished is decidedly different.<sup>vii</sup> He believes that increased immigration of educated foreigners is the key to bringing jobs back to America. He illustrates that "a college-educated immigrant who shows up on our shores delivers a +\$198,000 impact on our fiscal picture, paying far more in taxes than he receives in social spending."<sup>viii</sup> The doors should be open, not closed, but at the same time monitored closely. The welfare support of illegal,

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<sup>iv</sup> Rose, *The Mind at Work*, xv.

<sup>v</sup> Ron Hira and Anil Hira, *Outsourcing America: What's Behind Our National Crisis and How We Can Reclaim American Jobs* (New York: AMACOM, 2005.)

<sup>vi</sup> Hira, *Outsourcing America*.

<sup>vii</sup> Todd G. Buchholz, *Bringing the Jobs Home: How the Left Created the Outsourcing Crisis—and How We Can Fix It* (London: Penguin Books, 2004).

<sup>viii</sup> Buchholz, *Bringing the Jobs Home*, 25.

uneducated immigrants, aided by the Statue of Liberty motto of “huddled masses yearning to be free”, is crippling both the American educational system and the American economy.

Thomas Friedman’s *The World is Flat: A Brief History of the Twenty-First Century*, is decidedly pro-globalization.<sup>ix</sup> Friedman’s thesis is that the world has gone “flat”, that connections are being made between individuals on different parts of the globe like never before. Friedman presents this new global cohesiveness through many of his own experiences. He made the journey to Bangalore; one of India’s most developed regions, and found a world bustling with change. Many of the Indian workers he spoke with were excited and eager for development and expansion, but at the same time still humbled by America the innovator. As one Indian employee described, “In ten years we are going to be doing a lot of the stuff that is being done in America today. We can predict our future. But we are behind you. You are defining the future. America is always on the edge of the next creative wave”<sup>x</sup>. Friedman views globalization and outsourcing as a natural evolution of an expanding, and at the same time constricting, world economy. At the same time, he sees obstacles as well as opportunity, and stresses the need for improvement at the fundamental stages, namely the American educational system. Friedman believes that change must come and come soon, or else Americans will continue to lose their jobs to capable, lower-wage labor sources in other countries.

### *Go With the Flow*

Those hurt most directly by the American outsourced IT industry are those who began it in the first place. American IT workers were enlisted to train Indian recruits in the facets of their job. As many Americans believed, these new Indian workers would be integrated into the company. However, many American IT workers soon found a pink slip rather than a promotion. Michael Emmons, a displaced Siemens IT worker in 2004, put it bluntly: “They told us this is the wave of the future, and we just have to go with the flow.”<sup>xi</sup> Can this truly be a feasible explanation for the millions of American IT workers who have lost their jobs, or even more for the millions more who will inevitably be displaced in the years to come? While some have found new work in the software industry, others have taken less-skilled jobs, or even worse are still unemployed. Those that do find IT work have been shown to take a substantial pay cut and are still at risk for further outsourcing. After his firing, Emmons planned on running for Congress in Florida primarily on an anti-outsourcing platform. This represents a broader movement of politicians who have taken outsourcing, namely in immigration visas, as a crucial aspect of their campaign. These include Bernard Sanders, a Congressional Representative from Vermont, who “will be re-introducing the Defending American Jobs Act to prohibit large corporations from receiving

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<sup>ix</sup> Thomas Friedman, *The World is Flat: A Brief History of the Twenty-First Century* (New York: Farrar, Straus, and Giroux 2005).

<sup>x</sup> Friedman, *The World is Flat*, 15.

<sup>xi</sup> Gardner, M, “One Man’s Crusade against outsourcing American jobs” April 20, 2004, The Christian Science Monitor (Retrieved November 4, 2006, from <http://www.csmonitor.com/>).

corporate welfare if they lay-off a larger percentage of American workers than workers overseas.”<sup>xii</sup> Congresswoman Rosa DeLauro from Connecticut “introduced the United States Worker Protection Act to prevent taxpayer dollars from being used to outsource jobs to other countries.”<sup>xiii</sup> NoSlaves.com is a virtual activist community devoted entirely to anti-outsourcing. The site offers political candidates who support its view, information on retraining centers, and collaboration among those who lost their jobs to outsourcing.<sup>xiv</sup> However, it is difficult for the government to invest in care of these displaced workers, most of whom are older and less able for adaptation. It seems much more prudent to invest in schools so that in the future, there will not be a similar unemployment problem. Still, in the future we will have millions more Michael Emmons, who will force this issue to the forefront of American policy.

### *The Rise of India: The Elephant’s Ivory*

A 2001 census study found that India had a population right around one billion people. Of that billion, 200 million speak English, and forty percent were under the age of fifteen. In 2005, India was producing three million college graduates annually, a number expected to double by 2008. As a comparison, America only produces 1.3 million college graduates per year.<sup>xv</sup> In the past, many Indian students immigrated to America to study at an American university. However, with the growth of American industry in India, that practice has become obsolete. As Anney Unnikrishnan, an Indian personnel manager, described, “I finished my MBA and I remember writing my GMAT and getting into Purdue University. But I couldn’t go because I couldn’t afford it. I didn’t have the money for it. Now I can, but I see a whole lot of American industry has come to Bangalore and I don’t really need to go there. I can work for a multinational sitting right here.”<sup>xvi</sup> This is not an isolated viewpoint, but represents a broader movement of Indian students to stay in India. Indian universities continue to expand, providing cheap, quality education. At the same time, America’s immigration crisis is closing the door further for many of these bright young students. Indian companies also offer serious benefits. As P.V. Kannan, the Indian CEO of an outsourced call center, explains, “We also provide transportation, lunch, and dinner at no extra cost. We provide life insurance, medical insurance for the entire family—and other benefits.”<sup>xvii</sup> As Thomas Friedman and Clyde Prestowitz found in researching their books on globalization, the Indian workers they encountered were ambitious and excited, unanimous in one goal: to become the next America. Vivek Kulkarni, once a government official seeking to attract high-tech investment, puts it perfectly: “The idea is to

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<sup>xii</sup> <http://bernie.house.gov/trade.asp> (Retrieved 5 Nov. 2006).

<sup>xiii</sup> <http://www.house.gov/delauro/labor.html> (Retrieved 5 Nov. 2006).

<sup>xiv</sup> <http://www.noslaves.com/> (Retrieved 5 Nov. 2006).

<sup>xv</sup> Clyde Prestowitz, *Three Billion New Capitalists: The Great Shift of Wealth and Power to the East*, (Cambridge: Basic Books, 2005).

<sup>xvi</sup> Friedman, *The World is Flat*, 28.

<sup>xvii</sup> Friedman, *The World is Flat*, 25.

constantly learn. You are always taking an examination. There is no end to learning...There is no real end to what can be done by whom.”<sup>xviii</sup>

### *The World is Your Oyster*

With an unprecedented foundation of young, intelligent workers, India is on the verge of a massive economic boom. India was previously thought of as an outsourcing center for low-skill, low-demand work. In 2000, the American Society for Training and Development released a study that confirmed,

There is no evidence to suggest that the entire U.S. IT workforce will be replaced by lower-wage professionals in other countries. Higher-skill-level jobs such as strategy development and business process improvement will remain in the United States, lower skill area jobs including call centers, programming, system maintenance or application development may go elsewhere.<sup>xix</sup>

Yet, in the past few years both Indian capabilities and U.S. IT company dependency have increased enormously; so much so that this statement can no longer be valid. India’s technological hub, Bangalore, already has more IT jobs than Silicon Valley.<sup>xx</sup> Software exports are growing four times faster than India’s GDP, and already make up more than three percent of the economy. The number of Indian software companies that have achieved the “gold standard” of America’s Capability Maturity Model is more than that of America and the rest of the world combined. In October 2003, a *Washington Times* columnist ironically commented, “If you want to see a real weapon of mass destruction, try a \$1,000 computer in Bombay. High-tech jobs in the computer industry are bailing out of the United States fast.”<sup>xxi</sup> The growth is not just limited to the IT industry. Indian workers are now proud to handle a wide variety of work, including tax returns, architecture, journalism, medical and legal records, consulting MRI scans, and engineering design.<sup>xxii</sup> As more and more jobs from a wide variety of locales are being shipped overseas, the question remains: When will it end? Some believe that it should never end. As Jurgen Rottler, Vice President of Marketing for Hewlett Packard, puts it, “In an ideal world, you’d migrate as much as you possibly could to India.”<sup>xxiii</sup> If it appears that millions of American jobs will soon be lost to Indian counterparts, why is this issue so small on the minds of many Americans?

### *No “Made in Taiwan”*

The problem with Indian outsourcing is that it is largely invisible. You will rarely ever find a “Made in India” sticker, while “Made in Taiwan” or “Made in China” dominate our shops and stores. This is because the uses of Indian

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<sup>xviii</sup> Friedman, *The World is Flat*, 32.

<sup>xix</sup> Edward E. Gordon, *The 2010 Meltdown: Solving the Impending Jobs Crisis* (Westport: Praeger Publishers, 2005).

<sup>xx</sup> Ashutosh Sheshabalaya, *Rising Elephant*, (Monroe: Common Courage Press, 2005).

<sup>xxi</sup> Sheshabalaya, *Rising Elephant*, 11.

<sup>xxii</sup> Hira, *Outsourcing America*, 3.

<sup>xxiii</sup> Sheshabalaya, *Rising Elephant*, 18.

outsourcing are largely taken for granted. Americans expect their cell phones, computers, Internet, etc. to all work without error, yet what most do not know is that this is the result of the Indian IT industry. When one does have a problem, the help center they call will most likely be located in India. Whether it is lost luggage, computer maintenance, or hotel reservations, Indian call center employees can do it all, and they are very good at their job. While researching his book, *Three Billion New Capitalists*, Prestowitz was amazed at the aptitude of an Indian call center employee: "Wow, I thought. Here I am ten and a half time zones away from Bob, but Nishat might as well be in his living room."<sup>xxiv</sup> As the Indian IT industry expands, and as Indian involvement in American companies increases, "Made in India" may become a qualitative necessity rather than a scarlet letter. As Friedman speculates, "If I have a granddaughter one day, and I tell her I'm going to India, will she say, "Grandpa, is that where software comes from?"<sup>xxv</sup> Presently, this statement seems ridiculous. America has IBM, Microsoft, Apple, and a plethora of creative, brilliant minds. Yet how much of these companies remain American? And with our mounting demographic problem and failing education system, will America have the capabilities to compete in the global future?

### *The Fall of the American Dream*

In 1987, the think tank Hudson Institute published *Workforce 2000*, a prediction of the American economy in the beginning of the 21<sup>st</sup> century. Their claim was that while the economy would grow, the workforce would grow older and there would be increased demand for higher-skill labor. In 1997, in the midst of the Digital Revolution, they wrote a follow-up, entitled *Workforce 2020*. In the introduction, they address why their book is important: "Our map is needed because American workers at the threshold of the twenty-first century are embarking on mysterious voyages. They seek glittering destinations but travel along roads with numerous pitfalls and unexpected diversions."<sup>xxvi</sup> Standing presently in the 21<sup>st</sup> century, they could not have been more right. It is not in our destination that we are at risk, but in our journey.

### *America the Old*

As Americans grow older, that journey only increases in difficulty. Currently, we are in the end of the Baby Boomer generation. In 2020, twenty percent of the U.S. population will be 65 or older, equal to that of America's prime working demographic, ages 20-35.<sup>xxvii</sup> When compared to India's proportions, where fifty percent of the population is under age 25, that statistic is staggering. In his 2005 book, *The 2010 Meltdown: Solving the Impending Jobs Crisis*, Edward Gordon examines America's demographic problem further. Gordon uses the year 2010 because that is when the oldest of the Baby Boomer generation will turn 65 and retire. Whereas in 1950 there were 16 workers for every Social

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<sup>xxiv</sup> Prestowitz, *Three Billion New Capitalists*, 81.

<sup>xxv</sup> Friedman, *The World is Flat*, 29.

<sup>xxvi</sup> Hudson Institute, *Workforce 2020: Work and Workers in the 21<sup>st</sup> Century*.

<sup>xxvii</sup> Hudson Institute, *Workforce 2020*, 5.

Security beneficiary, by 2030 there will only be a two-to-one proportion.<sup>xxviii</sup> It is no longer plausible to ignore this mounting problem. As Beverly Goldberg, the vice president of the Century Foundation (a public policy research source), claims, "Labor force participation by those over 55 has to increase by 25 percent starting in 2011 to have enough workers to maintain productivity, never mind business growth."<sup>xxix</sup> Worst about this problem is its timing. In our world governed by technology, a stagnating labor population is a serious hazard for America's growth. Imagine the difficulty of teaching one's parents or grandparents about computers and cell phones, yet on a country-wide scale. This, coupled with the American education catastrophe, puts America at serious risk for the near future.

### *America the Stupid*

Margaret Jacob, writing her conclusion, claimed that "The language of science must be capable of absorption by thought processes also expressive of other commonplace elements of a culture or society...true creativity, relevant to its time and place, is rooted in social experience as transformed by ingenuity."<sup>xxx</sup> Jacob believed that the Scientific Revolution catapulted Europe past the rest of the world, transforming Europe into a breeding ground for competition and innovation. The close relationship between engineer and entrepreneur allowed for a "scientific culture" to emerge, where it was not only a few educated individuals involved, but an entire society. Jacob's emphasis on this societal phenomenon gives foreboding comparisons to current American society. In this technology-driven world, the existence of a highly-skilled, adaptable labor force is crucial for an economy's success. The problem America faces is that it has no such labor force. One foreboding statistic showed that in the mid-1990s, more college students majored in parks-and-recreation rather than in electrical engineering. Also, the majority of the electrical engineering majors were foreign-born students.<sup>xxxi</sup> This problem has only grown worse. In a study by the think tank Hudson Institute in 2002, sixty percent of new American jobs require skills that only twenty percent of the U.S. workforce can handle.<sup>xxxii</sup> What is worse is that the problem seems to be only getting worse. As fewer American students major in engineering and computer science, American IT companies will be forced to outsource more and more jobs to India and other countries. The problem may continue to perpetuate itself to the point where Americans may no longer be looked to as creators of technology and innovation.

### *Failures at the Foundation*

On January 13, 2006, the ABC news program 20/20 aired a special on American schools, entitled "Stupid in America."<sup>xxxiii</sup> The special showed a graph

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<sup>xxviii</sup> Gordon, *The 2010 Meltdown*, 13.

<sup>xxix</sup> Gordon, *The 2010 Meltdown*, 15.

<sup>xxx</sup> Margaret Jacob, *Scientific Culture and the Making of the Industrial West*. (New York: Oxford University Press, 1997).

<sup>xxxi</sup> Gordon, *The 2010 Meltdown*, 41.

<sup>xxxii</sup> Gordon, *The 2010 Meltdown*, 42.

<sup>xxxiii</sup> Stossel, J, "Stupid in America" January 13, 2006, ABC News (Retrieved Nov. 6, 2006, from

<http://abcnews.go.com/2020/Stossel/story?id=1500338>.

of an international test that placed America 25<sup>th</sup>, inferior to such nations as Poland, Iceland, and Canada. Some European students called Americans “stupid” if they could not succeed on the test. “Stupid in America” also featured clips from Jay Leno’s “Tonight Show”, where Leno asks high school students basic questions to test their knowledge. One such question was, “In what state is the Kentucky Derby held?” and the answer was “Kansas?” As 20/20’s John Stossel puts it, “The longer kids spend in American schools, the worse they do.” It is not that American students are less intelligent than students in other countries. On the contrary, international tests of 4<sup>th</sup> graders have shown that America ranks high among nations. The problem, then, is in our monopolistic school system. Students in other countries are given choices for schools, and in this way the schools function more as businesses. They must compete with each other for students, whose investment counts for the school’s success. However, in America a student is placed in a school, and choice for other schools is very limited. With such limited competition, it does not matter if the schools perform well or poorly. Unfortunately for most American students, it is most often the latter. It is no surprise, then, that with a shrinking labor force and low-intelligence youth, many American companies are forced to look elsewhere for capable workers. If this is to change, then our schools are where we need to look first for improvement.

### *Will We Be Smart Enough?*

The short answer is “No”. This is the question Earl Hunt addresses in his 1995 book of the same title.<sup>xxxiv</sup> The first sentences of the book appear very foreboding in nature, “This is a book about whether or not Americans are smart enough to make in the twenty-first century. I would not write the book unless I was concerned. I am, and I am certainly not alone.”<sup>xxxv</sup> While Hunt’s book is more than ten years old, it raises questions that still have no answers today. The mounting statistics also offer no consolation. In 2001, nearly half of U.S. technology patent applications were made by foreign companies. Between 2003 and 2004, 1 out of 10 American IT jobs were outsourced to India or Russia.<sup>xxxvi</sup> It is believed that 1 in 9 American jobs, or nearly 14 million people, will lose their jobs to outsourcing in the coming years. Many fear that these jobs will never return to America. Lou Dobbs believes that “The American people are extremely bright, and none of us should ever underestimate the power of their insight into complex issues.”<sup>xxxvii</sup> Yet, Americans are not extremely bright. Gordon believes that Americans can be divided three ways:

...about 25 percent are the “smart people”, who are well educated and also have special career skills; another 25 percent are the “walking dead,” victims of mergers or technical change and need to acquire new skills in order to change jobs or even careers...and up to 50 percent are the “techno-

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<sup>xxxiv</sup> Earl Hunt, *Will We Be Smart Enough? A Cognitive Analysis of the Coming Workforce* (New York: Russell Sage Foundation, 1995).

<sup>xxxv</sup> Hunt, *Will We Be Smart Enough?* 1.

<sup>xxxvi</sup> Gordon, *The 2010 Meltdown*.

<sup>xxxvii</sup> Hira, *Outsourcing America – Foreword*.

peasants," poorly educated adults with few if any special career skills.<sup>xxxviii</sup>

Compare America with India, whose college graduates should double by 2010, and whose number of engineering schools will increase fifty percent in four years.<sup>xxxix</sup> The broader implications of these numbers suggest a shift in global dominance from the West to the East.

### *The Second Great Divergence*

The purpose of this paper has been to provide perspective on the rise of the East and the fall of America in the global marketplace, exemplified through the Indian outsourcing crisis. For the fall of America, I have shown both sides of the outsourcing debate, each with its own validity. I have also attempted to highlight the problems within America. We face both our depleting demographic, in which we can do little, and our abysmal education system, where we can do much. I have attempted to show that these problems, though small now, may have dire consequences in the future and should be pushed to the forefront of government policy.

India is a perfect model for the rise of the East. Its potential for growth is staggering. Half of its population is under the age of 25. Indian universities continue to expand, and increasing American outsourcing dependence has boosted India's economy tremendously. Coupled with China's manufacturing boom, it is no longer possible to ignore the rise of the East in the global marketplace.

America can no longer be comfortable in its global dominance. Our "Manifest Destiny" philosophy no longer applies to this new, ever-changing global marketplace. We cannot continue to fight the Japans, the Chinas, and the Indias of the world. These cannot be scapegoats for our own internal problems. If we continue to fight globalization, then we will only isolate ourselves from the innovation and technologies of other countries. The theses of Jacob and Pomeranz should influence us heavily to reinvest internally, to create our own "scientific culture" and find our own "coal" source. Robert Frost wrote of "Two roads diverged in a wood, and I-- I took the one less traveled by, and that has made all the difference." America stands at the crossroads of the Second Great Divergence. If we do not carve our own path, if we let India and China form our trail, then we will soon see the end of American dominance and the true fall of the American Dream.

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<sup>xxxviii</sup> Gordon, *The 2010 Meltdown*, 38.

<sup>xxxix</sup> Sheshabalaya, *Rising Elephant*, 53.

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