

Overview

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This has been an encouraging conference for two reasons.

First, things got clearer as we went along, which does not always happen in conferences. I do not mean by that ~~that~~ we reached widespread agreement on policy; in fact I might see a bit less consensus than Jerry Jasinowski did. I also do not mean that everything was simplified; this is a field in which true clarity is to see complexity.

The second reason **the conference** was encouraging is that it saw so many able economists taking seriously some of the issues raised by this broad range of ideas that we call "industrial policy" for short. Paul Krugman said that in writing his paper on targeting he realized how unusual it was for an economist to be taking some of these issues seriously and dealing with them systematically. He is absolutely right, and I think that is deplorable. I hope this conference has persuaded others that there are a number of important issues here worthy of careful criticism by professional economists.

I understand why there has been reluctance on the part of economists to deal with many of these issues. When I first got involved with this subject, three groups of my friends warned me not to waste my time. My old colleagues concerned with trade liberalization said that industrial policy is nothing but a rationalization by which other countries seek to escape from their commitments to remove trade barriers and not to impose new ones. Businessmen told me that industrial policy was the means by which their foreign competitors were given unfair advantages through government help; they were not in favor of industrial policy for the United States because it meant government intervention in their affairs. Then there were the economists who, beguiled by macroeconomics, and by its elegance and its relative suc-

cess over the years, pointed out that there was no good theory, that the field was extremely messy and highly politicized.

All three groups were right about industrial policy but wrong about the need to study it. The questions raised by industrial policy are extremely interesting. The forces behind industrial policy cannot be escaped. **Government** officials, including trade people, and businessmen and others are giving far more attention to the subject than ever before. Surely economists will not think it wise to leave such matters to interest groups, politicians, and, for that matter, political scientists — though I must say that these last are making fairly important contributions to our understanding of the subject.

Distaste is no excuse for not studying something. Michael Wachter pointed out that concentrating on job displacement did not mean that he favored unemployment. For my part, I never had an initial obstacle to overcome. I first stumbled on this subject in the late '60s when I was pursuing some ideas about the ways in which U.S. foreign economic policy and the machinery for international economic cooperation did not appear to be keeping pace with changes in the world economy. In a book published in 1972 I said that some of the foreseeable difficulties that were going to make trade cooperation harder in the future than it had been in the past, and that would continue to plague efforts to reach international agreements about investment, were traceable to the kinds of measures that various countries called "industrial policy."¹ When I was able to pursue this further in the late '70s, I found that the situation had gotten worse and wrote a book arguing that unless we found a better way to deal with the clashes of national industrial policies, the whole machinery for international economic cooperation would continue to erode and might well break down.² I have seen no reason in the last few years to change that view. When I look ahead it seems to me clear that the situation is almost bound to get worse as national governments operate under the pressures of slow growth, high unemployment, little elbow room for adaptation, and so on. Moreover, it has already become reasonably clear that **Americans** can no longer treat industrial policy as simply a foreign practice to be censured where it appears abroad and resisted at home as somehow **unAmerican**.

1. *The United States and the Industrial World*. Praeger, for the Council on Foreign Relations, New York, 1972, pp. 163-72, 338.

2. *Industrial Policy as an International Issue* (New York), McGraw-Hill for the 1980s Project/Council on Foreign Relations, 1980, 350 pp.

We can no more reasonably expect industrial policy to disappear than to get governments out of their economies. To act as if we could would be a new Pogoism of the economists, to **recall** the term that Jeff Sachs used. (Incidentally, when after some debate as to whether it would be understood, I used the Pogo quote in a paper on the clashes of national industrial policies and their impact on trade cooperation, intended largely for a European audience, I found there was no difficulty about identifying Pogo's thought — though possibly the reference to Commodore Perry was not recognized — but the idea was simply not accepted because there was such confidence that most of the objectives sought by industrial policy were highly desirable, a condition which reminds me to state my concurrence with Robert Lawrence about the rather alarming state of European economic performance and policy thinking in these fields.)

The area of agreement

When I said that things had become clearer as the conference went along, I meant that one could summarize in a fairly few sentences a series of statements about structural change and industrial policy which seemed to represent the thinking of most people who have taken part in the discussion (though perhaps in some cases the ideas were implied more than stated explicitly). At least, this is how I interpret what I have heard:

So far as structural change goes, we are vague. We all know there is a great deal of change, but we are not always clear when it is structural. That word itself is used in a number of different ways. It is questionable how much is to be gained by a general discussion. It almost looks as if one were usually better off defining *ad hoc*, if that is not a contradiction in terms.³ Perhaps there is some reluctance in coping with this issue since by some definitions structural change would almost certainly invalidate some earlier calculations, at least so far as their use in making predictions. My hunch is that there is also a difference in our approach according to whether even quite large changes take place slowly enough to be adapted to quite smoothly or come with a troublesome impact. We are also agreed that it is often

3. For some discussion of this problem, see my paper, "Adapting Economies to Structural Change: the International Aspect," *International Affairs* (London) October 1978, p. 583; and the passages on pp. 6, 7, and 289 (and the sources cited there) of *Industrial Policy as an International Issue*. This book also deals with a number of issues touched on in these comments, such as the scope of industrial policy and its relation to macroeconomic policy.

