

a basic problem with the infant industry argument is that

A Basic Problem with the Infant Industry Argument Is That... Picking the Winners Is Incredibly Difficult

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Summary: This article explores a fundamental flaw in the infant industry argument: the significant difficulty in accurately identifying and selecting industries worthy of government protection. It examines the information asymmetry between policymakers and the market, the potential for political capture, and the long-term inefficiencies that can result from misallocation of resources. The article advocates for a more cautious and market-oriented approach to industrial policy, emphasizing the importance of transparent criteria and rigorous evaluation mechanisms.

Keywords: infant industry argument, protectionism, government intervention, market failure, information asymmetry, political economy, industrial policy, resource allocation, economic development, picking winners.

Introduction: The Allure and the Pitfall of Infant Industry Protection

The infant industry argument, a cornerstone of protectionist policies, suggests that nascent domestic industries require temporary government protection (e.g., tariffs, subsidies) to become competitive against established foreign firms. A basic problem with the infant industry argument is that identifying these truly "infant" industries, capable of achieving future competitiveness, proves extraordinarily challenging. This difficulty stems from a complex interplay of information asymmetry, political pressures, and the inherent uncertainties of the market. This article delves into this core issue, highlighting the potential for significant economic costs associated with misidentification and the importance of alternative, more market-based approaches to industrial development.

The Information Asymmetry Problem: Knowing Who to Protect

A central problem with the infant industry argument is that policymakers often lack the necessary information to accurately assess an industry's long-term viability. Businesses possess intimate knowledge of their technological capabilities, market prospects, and managerial expertise. However, this information is rarely fully transparent to government officials. This information asymmetry creates a significant risk that protection will be granted to industries that are fundamentally uncompetitive, even with temporary assistance. Resources are then diverted from potentially more productive sectors, leading to a misallocation of capital and labor.

Political Capture and Rent-Seeking: The Perils of Influence

A basic problem with the infant industry argument is that the process of selecting industries for protection is susceptible to political capture. Powerful interest groups, often well-connected firms or lobbyists, can exert undue influence on policymakers, leading to the protection of industries that are not truly "infant" but rather seeking government assistance to maintain their market dominance or extract rents. This rent-seeking behavior undermines the efficiency of resource allocation and distorts market signals. The outcome is not necessarily the nurturing of competitive industries, but rather the perpetuation of inefficient ones.

The Difficulty of Defining "Infant" and Predicting Future Competitiveness

Determining which industries qualify as "infant" requires a forward-looking assessment of their future competitiveness. Predicting future technological advancements, changes in consumer preferences, and global market dynamics is inherently uncertain. Even the most sophisticated economic modeling techniques cannot definitively identify industries destined for success. A basic problem with the infant industry argument is that it relies on speculative judgments about the future, which are often inaccurate. This uncertainty necessitates a cautious approach to intervention, minimizing the risks of supporting ultimately unviable ventures.

The High Cost of Failure: Inefficient Resource Allocation and Opportunity Costs

The failure of protected infant industries has significant economic consequences. The resources (financial, human, and physical capital) allocated to these failing ventures represent opportunity costs—resources that could have been invested in more productive sectors. This misallocation of resources can hinder overall economic growth and development. A basic problem with the infant industry argument is that it ignores the substantial risk of failure and the potentially significant negative impact on economic efficiency.

The Case for Market-Oriented Approaches to Industrial Development

Instead of relying on protectionist measures, policymakers should consider more market-oriented approaches to promote industrial development. These include investing in education and human capital development, improving infrastructure, fostering a stable and predictable regulatory environment, and promoting competition. These strategies help create a conducive environment for the organic growth of competitive industries, without the risks associated with picking winners and losers.

Transparency and Accountability: Essential Elements of Effective Industrial Policy

If governments do intervene, a basic problem with the infant industry argument is the lack of transparency and accountability mechanisms. To mitigate risks, any industrial policy should be guided by clearly defined criteria, subject to rigorous evaluation, and open to public scrutiny. Regular assessments of the effectiveness of interventions should inform adjustments to policy, ensuring resources are efficiently allocated and that interventions are terminated when they are no longer necessary or effective.

Conclusion: A Cautious and Evidence-Based Approach

A basic problem with the infant industry argument is that its implementation requires a level of foresight and accurate prediction that simply doesn't exist. The risks associated with misidentification, political capture, and inefficient resource allocation outweigh the potential benefits in most cases. While market failures may necessitate some government intervention, a cautious and evidence-based approach is essential. Prioritizing market-oriented strategies and implementing transparent, accountable policies are far more likely to lead to sustainable economic development than reliance on protectionist measures based on the often flawed infant industry argument.

FAQs

1. What are some examples of infant industries that have successfully benefited from protectionism?

While some cases exist, they are often debated, and the success is difficult to isolate from other contributing factors. Careful analysis is needed to determine if protection was truly necessary and sufficient for success.

1. How can governments improve the accuracy of identifying promising infant industries? Improving data collection, conducting independent assessments, and involving a broader range of stakeholders can enhance the accuracy of evaluations.

1. What are the alternatives to protectionist measures for promoting industrial development? Investing in human capital, improving infrastructure, streamlining regulations, and promoting competition are effective alternatives.

1. How can rent-seeking behavior be minimized in the context of industrial policy? Increased transparency, public consultations, and independent oversight mechanisms can help reduce rent-seeking.

1. What are the long-term economic consequences of misallocating resources through flawed infant industry policies? Slowed economic growth, reduced productivity, and a less competitive economy are potential long-term consequences.

1. How can the success or failure of infant industry policies be evaluated? Metrics such as productivity growth, employment creation, and global competitiveness can be used to assess the effectiveness of such policies.

1. What role does technological change play in the challenges of the infant industry argument? Rapid technological change increases the uncertainty surrounding future industry viability, making accurate prediction even more difficult.

1. Are there any specific sectors where the infant industry argument is more or less applicable? The argument is generally less applicable in sectors with rapid technological change or strong network effects, where first-mover advantage is crucial.

1. What is the difference between strategic trade policy and the infant industry argument? While related, strategic trade policy focuses on gaining first-mover advantages in strategic industries, while

the infant industry argument focuses on nurturing domestic industries to achieve competitiveness.

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a basic problem with the infant industry argument is that: *International Trade: Friedrich List's Theory of the infant industry argument* Matthias Hilgert, 2005-05-03 Essay from the year 2005 in the subject Economics - International Economic Relations, grade: very good (UK: grade A, mark 7), University of Glasgow (Center of Development Studies), course: International Trade, language: English, abstract: The infant industry argument is one of the most famous arguments for protection against free international trade. The argument claims that protection is justified for new industries especially in less developed countries in order to establish them sufficiently. These infant industries are unable to compete with the old and well established industries located mostly in developed countries. The main reasons are differences in efficiency in production, information, knowledge and capital endowment (Suranovic, 2004). Since Friedrich List (1789-1846) had developed this argument at the beginning of the Nineteenth Century, since then infant industry protection has been immensely criticized among economists. Most economists agree to some reasonable circumstances that would justify the temporary and limited protection of an infant industry (Melitz, 1999). Nevertheless, there is a big community of opponents who claim that protection is likely to be only the second-best policy rather than the firstbest policy (Suranovic, 2004). Despite this opposition, almost all countries of the world have developed their industrial base by applying to infant industry protection (Krugman and Obstfeld, 2003 and Shafaeddin, 1998). This essay aims to examine Friedrich List's theory of the infant industry argument in detail. First, it explores the origin of List's theory by giving a general explanation and some background information, by identifying the pattern of protection and by examining the justification for his theory. Secondly, it critically examines List's theory under a contemporary perspective by discussing the current issues of the infant industries argument. Finally, it asks the question, if List's theory is still valid.

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Clyde Wayne Crews, 2004

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Arvind Panagariya, 2019-04-01 Arguments for protection and against free trade have seen a revival in developed countries such as the United States and Great Britain as well as developing countries such as India.Â Given the clear benefits trade openness has brought everywhere, this is a surprising development.Â The benefits of free trade are especially great for emerging market economies. Free Trade and Prosperity offers the first full-scale defense of pro-free-trade policies with developing countries at its center. Arvind Panagariya, a professor at Columbia University and former top economic advisor to the government of India, supplies a historically informed analysis of many longstanding but flawed arguments for protection. He starts with an insightful overview of the positive case for free trade, and then closely examines the various contentions of protectionists. One protectionist argument is that infant industries need time to grow and become competitive, and thus should be sheltered. Other arguments are that emerging markets are especially prone to coordination failures, they are in need of diversification of their production structures, and they suffer from market imperfections. The panoply of protectionist arguments, including those for import substitution industrialization, fails when subject to close logical and empirical scrutiny. Free trade and outward-oriented policies are preconditions to both sustained rapid growth and poverty alleviation in developing countries. Panagariya provides compelling evidence demonstrating the failures of protectionism and the promise of free trade using detailed case studies of successful countries such as Singapore, Taiwan, South Korea, China and India. Low or declining barriers to free trade and high or rising shares of trade in total income have been key elements in the sustained rapid growth and poverty alleviation in these countries and many others. Free trade is like oxygen: the benefits are ubiquitous and not noticed until they are no longer there. This important book is an essential reminder of the costs of protectionism.

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Robert E. Baldwin, L. Alan Winters, 2007-11-01 People passionately disagree about the nature of the globalization process. The failure of both the 1999 and 2003 World Trade Organization's (WTO) ministerial conferences in Seattle and Cancun, respectively, have highlighted the tensions among official, international organizations like the WTO, the International Monetary Fund (IMF), the World Bank, nongovernmental and private sector organizations, and some developing country governments. These tensions are commonly attributed to longstanding disagreements over such issues as labor rights, environmental standards, and tariff-cutting rules. In addition, developing countries are increasingly resentful of the burdens of adjustment placed on them that they argue are not matched by commensurate commitments from developed countries. Challenges to Globalization evaluates the arguments of pro-globalists and anti-globalists regarding issues such as globalization's relationship to democracy, its impact on the environment and on labor markets including the brain

drain, sweat shop labor, wage levels, and changes in production processes, and the associated expansion of trade and its effects on prices. Baldwin, Winters, and the contributors to this volume look at multinational firms, foreign investment, and mergers and acquisitions and present surprising findings that often run counter to the claim that multinational firms primarily seek countries with low wage labor. The book closes with papers on financial opening and on the relationship between international economic policies and national economic growth rates.

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theory of international trade and commercial policy, including immiserizing growth, domestic distortions, economic development, and political economy. His success and influence as a teacher and mentor is widely recognized among students at both MIT and Columbia, and as founder of the Journal of International Economics, he has encouraged research on many questions of theoretical and policy relevance. The political economy of trade policy, Bhagwati's most recent area of interest, is the theme of this collection which addresses salient topics including market distortions, income distribution, and the political process of policy-making. Sections and Contributors Market Distortions, T. N. Srinivasan. Paul A. Samuelson. Paul R. Krugman * Trade and Income Distribution, Douglas A. Irwin. Richard A. Brecher and Ehsan U. Choudri. Robert C. Feenstra and Gordon H. Hanson. Earl L. Grinols * Perspectives on Political Economy, Robert E. Baldwin. Peter Diamond * Models of Political Economy and Trade, Gene M. Grossman and Elhana Helpman. John Douglas Wilson. B. Peter Rosendorff. Arvind Panagariya and Ronald Findlay

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tackles the fundamental question that no theory of oppression has satisfactorily answered: if there is no natural hierarchy among humans, why are some cases of oppression so persistent? Cudd argues that the explanation lies in the coercive co-opting of the oppressed to join in their own oppression. This answer sets the stage for analysis throughout the book, as it explores the questions of how and why the oppressed join in their oppression. Cudd argues that oppression is an institutionally structured harm perpetrated on social groups by other groups using direct and indirect material, economic, and psychological force. Among the most important and insidious of the indirect forces is an economic force that operates through oppressed persons' own rational choices. This force constitutes the central feature of analysis, and the book argues that this force is especially insidious because it conceals the fact of oppression from the oppressed and from others who would be sympathetic to their plight. The oppressed come to believe that they suffer personal failings and this belief appears to absolve society from responsibility. While on Cudd's view oppression is grounded in material exploitation and physical deprivation, it cannot be long sustained without corresponding psychological forces. Cudd examines the direct and indirect psychological forces that generate and sustain oppression. She discusses strategies that groups have used to resist oppression and argues that all persons have a moral responsibility to resist in some way. In the concluding chapter Cudd proposes a concept of freedom that would be possible for humans in a world that is actively opposing oppression, arguing that freedom for each individual is only possible when we achieve freedom for all others.

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Kenichi Ohno, 2014-04-03 This book proposes a new, pragmatic way of approaching economic development which features policy learning based on a comparison of international best policy practices. While the important role of government in promoting private sector development is being recognized, policy discussion often remains general without details as to what exactly to do and how to avoid common pitfalls. This book fills the gap by showing concrete policy contents, procedures, and organizations adopted in high-performing East Asian economies. Natural resources and foreign aid and investment can take a country to a certain income level, but growth stalls when given advantages are exhausted. Economies will be caught in middle income traps if growth impetus is not internally generated. Meanwhile, countries that have soared to high income introduced mindset, policies, and institutions that encouraged, or even forced, accumulation of human capital – skills, technology, and knowledge. How this can be done systematically is the main topic of policy learning. However, government should not randomly adopt what Singapore or Taiwan did in the past. A continued march to prosperity is possible only when policy makers acquire capability to formulate policy suitable for local context after studying a number of international experiences. Developing countries wanting to adopt effective industrial strategies but not knowing where to start will benefit greatly by the ideas and hands-on examples presented by the author. Students of development economics will find a new methodological perspective which can supplement the ongoing industrial policy debate. The book also gives an excellent account of national pride and pragmatism exhibited by officials in East Asia who produced remarkable economic growth, as well as serious effort by an African country to emulate this miracle. The Open Access version of this book, available at <http://www.taylorfrancis.com/doi/view/10.4324/9780203085530> has been made available under a Creative Commons Attribution-Non Commercial-No Derivatives 4.0 license.

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Bhagwati, 2021-06-08 Free trade, indeed economic globalization generally, is under siege. The conventional arguments for protectionism have been discredited but not banished. And free trade faces strong new challenges from a variety of groups, including environmentalists and human rights activists as well as traditional lobbies who wrap their agendas in the language of justice and rights. These groups, claiming a general interest and denouncing free trade as a special interest of corporations and other capitalist forces, have organized large and vocal protests in Seattle, Prague, and elsewhere. Based on his acclaimed Stockholm lectures and picking up where his widely influential Protectionism left off, Jagdish Bhagwati applies critical insights from revolutionary

developments in commercial policy theory--many his own--to show how the pursuit of social and environmental agendas can be creatively reconciled with the pursuit of free trade. Indeed, he argues that free trade, by raising living standards, can serve these agendas far better than can a descent into trade sanctions and restrictions. After settling the score in favor of free trade, Professor Bhagwati considers alternative ways in which it can be pursued. Chiefly, he argues in support of multilateralism and advances a withering critique of recent bilateral and regional free trade agreements (including NAFTA) as preferential arrangements that introduce growing chaos into the world trading system. He also makes a strong case for going it alone on the road to trade liberalization and endorses the reemergence of unilateral liberalization at points around the globe. Forcefully, elegantly, and clearly written for the public by one of the foremost economic thinkers of our day, this volume is not merely accessible but essential reading for anyone interested in economic policy or in the world economy.

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disabled and elderly people. It provides the designer with the fundamentals of anthropometrics and a basic understanding of how interior design standards are established. The second part contains easy-to-read, illustrated anthropometric tables, which provide the most current data available on human body size, organized by age and percentile groupings. Also included is data relative to the range of joint motion and body sizes of children. The third part contains hundreds of dimensioned drawings, illustrating in plan and section the proper anthropometrically based relationship between user and space. The types of spaces range from residential and commercial to recreational and institutional, and all dimensions include metric conversions. In the Epilogue, the authors challenge the interior design profession, the building industry, and the furniture manufacturer to seriously explore the problem of adjustability in design. They expose the fallacy of designing to accommodate the so-called average man, who, in fact, does not exist. Using government data, including studies prepared by Dr. Howard Stoudt, Dr. Albert Damon, and Dr. Ross McFarland, formerly of the Harvard School of Public Health, and Jean Roberts of the U.S. Public Health Service, Panero and Zelnik have devised a system of interior design reference standards, easily understood through a series of charts and situation drawings. With *Human Dimension and Interior Space*, these standards are now accessible to all designers of interior environments.

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