

In the earlier postwar decades, when a major industrial transformation took place, the unprecedented surge in real growth made the process of structural adaptation appear almost effortless, much of the reallocation of resources coming out of the growth margin rather than out of someone else's hide. The virtuous circle of the golden decades is familiar: the dismantling of protectionist barriers in goods and capital markets both fed and was nourished by increasing investment, technology transfer and productivity. The consequent robust and sustained rise in growth both facilitated and was enhanced by structural adaptation through improved market signals from the international economy. Since the new protectionism functions to inhibit the flexible response of markets to price signals, the growth of economies is also checked. Slower growth begets slower growth.

The rise of the new protectionism and other symptoms of malaise such as high levels of structural unemployment reflect the "unfinished business" of adaptation to the structural changes of the 70's and early 80's. Unfortunately, the world won't stand still while we tidy up.