Despite the promotion of selected heavy sectors, their successes have been mainly in the labour intensive industries.[20]

That the goals of most industrial policy nostrums are not worth having is in some cases only part of the trouble. They can actually frustrate the very goals that they claim to pursue. Consider a high technology intermediate good, such as integrated circuits. Because these serve as inputs into a whole range of modern producer and consumer electronics, the public is easily moved by a rousing call for the promotion of such an industry as a foundation for a phalanx of high technology activities. When domestic producers of such an input gain tariff protection against foreign suppliers, the price of this input rises, and with it the costs of those allegedly desirable high technology industries that incorporate the input. Rather than launching a whole sector, protecting an input can raise the costs of domestic users and cause them to cede the market to imported finished products. In 1991, the U.S. slapped a 62% tariff on screens for laptop computers imported from Japan, pursuant to a complaint under the antidumping law. This action might have pleased industrial policy enthusiasts who believed that a strong domestic laptop screen industry would surely encourage domestic production of laptop computers. Instead, the computer makers began moving their production overseas to escape the elevated cost.[21]

- **Promoting Industries With Future Growth Potential**

Another common argument is that industrial policy should seek to channel resources into industries with high potential for future growth. There is no question that technological change, shifting patterns of demand, and shifting comparative advantage lead to very different growth rates of industries within an economy. Sometimes, though not always, it is possible to predict which industries will grow fastest. Should the government try to "pick winners" and encourage labour and capital to move into the industries with the highest growth prospects?

Again the answer is that properly functioning markets will make such a government role unnecessary. Firms making investment choices and workers choosing their careers are already trying to pick the winning industries. Only if the government can do a better job of picking the winners than these private market participants can it improve on the market outcome. To put the point another way, if everyone knows that an industry will grow rapidly, capital and labour will move into that industry even without special government encouragement. Unless there is some market failure, adding additional incentives to move into the sector will actually overdo

[20] Daid Dollar and Edward N. Wolff, *Competitiveness, Convergence, and International Specialization*, Cambridge, M.A.: MIT Press, 1993.

[21] *Business Week*, December 2, 1991: 38-9. Restricting imports of machine tools had different but equally adverse consequences. See *The New York Times*, October 7, 1991: D1,D4.