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'Competitive Cooperation'

By Edward C. Prescott

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Of all the thankless jobs that economists set for themselves when it comes to educating people about economics, the notion that society is better off if some industries are allowed to wither, their workers lose their jobs, and investors lose their capital -- all in the name of the greater glory of globalization -- surely ranks near the top. This is counterintuitive to many people (politicians among them), because they view it the government's economic responsibility to protect U.S. industry, employment and wealth against the forces of foreign competition. If the government has any economic role at all, surely this must be it.

Actually, no. Government has a higher calling in this country (and others like the United States), which is to provide the opportunity for people to seek their livelihood on their own terms, in open international markets, with as little interference from government as possible. That doesn't mean we shouldn't provide short-term social insurance policies to aid those displaced by foreign competition, but the purpose of that aid should be to prepare workers, not protect them.

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