



Economists opposing govt support to manufacturing are wrong

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The policy encouragement today to manufacturing is being decried by some experts on the ground that we should encourage the service sector. This is in many ways an extension of our fantasy when liberalisation was still young – that we would grow up rich powered by cheap labour in the export sector.

We soon realised that just as one can never be too thin, you can never be too cheap either. In time, other countries were undercutting India with lower labour costs. Even then, some resisted turning to manufacture and instead argued that the service sector would handhold us to prosperity.