

Precocious growth in India's skill-intensive sectors worrying: Paul Krugman



India's economic development which saw early progress of skill intensive industries and services worries Nobel laureate [Paul Krugman](#).

"One thing that does worry me about India's economic profile is its path. There's this precocious development of skill intensive industries, skill intensive services in particular," Krugman said.

He was responding to a query -- Will high and capital technology actually increase the costs for industry and increased poverty and unemployment in countries such as India and Bangladesh?-- posed by former chief economic advisor Arvind Subramanian.

Krugman said skill intensive industries generate a lot of gross domestic product (GDP) and exports but they do not generate a lot of jobs, and probably significantly exacerbated inequality.

"So yes, I mean there's a mystery something we don't fully understand actually," he said at an event titled -- Is Labour-Intensive Exporting Still A Feasible Development Strategy?.

Krugman said if you looked at the initial wave of export oriented development, particularly Korea and Taiwan, it was also about equalising development.

"And we haven't seen that since actually in any of the countries even China which did a lot the labour exporting but coupled it with rising inequality," Krugman said.

He said even the US with the administrative and political capacity has an extremely hard time tackling extreme inequality.

Krugman said China is at a higher level. "They're pursuing industrial policies designed to build an industrial ecology around higher technology, less labour intensive sectors," he pointed out.

He said the idea that India might want to be doing something like that is not silly. However, details of this kind of policy are important. "Now everything is in the details -- the ability to make wise choices and to not shut off opportunities," Krugman said.

He said India might also want to have some deliberate policy of fostering industries, which of course the Chinese themselves are doing.

Krugman said China started out as just a low wage country that opened itself up to the world and generated a lot of exports but they moved well beyond that.

"China now has this kind of industrial ecology. There's this complex set of suppliers, specialised services, all the things that we think of, that drive urban economics and national economies," he pointed out.

He said wealthy countries are now discovering they are at a bit of loss because China has that industrial ecology in place and we don't at this point.

[Paul Krugman](#)