

Manufacturing in debate

“This house (Siemens) believes that a economy cannot succeed without a big manufacturing base”

Do you agree with the motion?

76% voted yes

24% voted no

This debate has finished. Voting is now closed.

The Economist, Internet edition, July 08, 2011

Representing the sides



Defending the motion

[Ha-Joon Chang](#)

Faculty of Economics, University of Cambridge



Against the motion

[Jagdish Bhagwati](#)

Professor of Economics and Law, Columbia University

Winner announcement

Patrick Lane

Our debate is now over. The motion—that an economy cannot succeed without a big manufacturing base—is carried with three quarters of the vote. There has been a hefty majority in favour from the start. Jagdish Bhagwati has succeeded in closing the gap on [Ha-Joon Chang](#) a little, but not by enough.

Mr Chang has argued that the [manufacturing sector](#) of an economy is more dynamic, in the sense of yielding faster productivity growth, than the services sector. Hence, he says, the road to economic success lies through manufacturing. And because manufacturing continues to dominate international trade, without a strong manufacturing base economies are likely to run into balance-of-payments difficulties.

Mr Bhagwati has replied that this is not necessarily so. Remarkable productivity increases can be observed in services from retailing to medicine. Services are important items in international trade, in

the four "modes" defined by the World Trade Organisation: across borders; consumed abroad (by tourists or medical patients); supplied by subsidiaries abroad; and by people (eg, accountants or teachers) working abroad.

Throughout, there have been plenty of contributions from the floor too. In the last stage, the floor debate has been especially lively. Special mentions are due to Faz Cambridge, who argues that Morocco's experience lends support to the motion and to Carlos Guterman, aka cargu, who drew our attention to the renewed debate over industrialisation in Argentina. Faz Cambridge, Jasiak w japonii and Wynand Meyering have been conducting a debate of their own.

Mr Guterman reminded us that the debate over manufacturing is a very old one. Mr Bhagwati, indeed, took us back to Adam Smith. And he and Mr Chang exchanged views over the economics of Nicholas Kaldor, a well-known advocate of manufacturing half a century ago. This broader debate will rage on for years yet. Thank you for taking part in our brief contribution to it.