

Deepak Nayyar *Catch up: developing countries in the world economy*

Oxford University Press, New Delhi, 2013, 221 pp., Rs. 695.00

Partha Ray

Published online: 7 March 2014
© Indian Institute of Management Calcutta 2014

To the great believers of the forces of globalization, the process of catching-up of the developing countries with the developed ones has become almost a matter of theology. This theology has been reinforced by the theoretical construct of endogenous growth paradigm which tends to predict the process of convergence, however, long its duration is—and billions of regression equations have been run to check for its incremental veracity. Being essential doctrinarian, of late, both these two lines of writings seem to have lost much of their shine. The present book does not belong to these strands. Rooted firmly in the history and geography of the economic growth across nations, it looks into the general trends as well as the exceptions. In terms of a broad brush, the book has two key ingredients: (a) Falling Behind and (b) Catching-Up.

The first part ('Falling Behind') narrates the long-term story of somewhat distant past. In setting the stage, it documents the process of divergent tendencies in growth experience across the globe during whereby Asia, Africa and South America lagged behind the Western Europe and its off-shoots like the US during 1820 through 1950. This phenomenon, termed by the author as the 'Great Divergence', is reflected in the falling trends in GDP per capita of Africa, Asia and Latin America as a proportion to GDP of Western Europe and Western Off-shoots.

Nayyar traces this phenomenon of great divergence in terms of culture (e.g. Marx and Weber), geography (e.g. Jared Diamond's 1997 classic *Guns, Germs and Steel*) and institutions (e.g. Douglas North).

Spanned over five chapters and looking into the process of catch-up of the developing economies with the world economy over 1950–2010, the second part of the book ('Catching Up') is really the meat of the book. Following broad conclusions seem to have emerged. First, forces of the great divergence seem to have reversed and there is actually a process of catch-up during the recent period—possibly via the mechanism of Gerschenkron's hypothesis of 'advantage of relative economic backwardness' (Chapter 4: End of Divergence: Beginning of Convergence?). This is also reflected in structural transformation of the economies and the catching-up process in industrial activities (Chapter 6: Catch-Up in Industrialization). This process of convergence turned out to be more discernible during the 2000s. However, 'In reality, there is nothing automatic about convergence, just as there is nothing automatic about growth' (p. 73). Convergence and divergence often turned out to be simultaneous. Second, there could be three interconnected and interactive forces behind this catching-up, viz. international trade, international investment and global migration (Chapter 5: Engagement with the World Economy). Third, the catch-up was uneven and was primarily concentrated among the following 14 countries: Argentina, Brazil, Chile and Mexico in Latin America; China, India, Indonesia, Malaysia,

P. Ray (✉)
Economics Group, Indian Institute of Management
Calcutta, Kolkata, India
e-mail: pray@iimcal.ac.in

South Korea, Taiwan, Thailand and Turkey in Asia; and Egypt and South Africa in Africa—a group that the author terms as the ‘Next-14’ (Chapter 7: Unequal Partners and Unequal Development). Fourth, this process is also associated with increases in global inequality and consequent diverging trends. If China and India are excluded from the sample, then inequality between countries has increased rapidly (Chapter 8: Emerging Divergences) in recent period. Finally, the role of the state ‘in evolving trade and industrial policies, developing institutions, and making strategic interventions, whether as a catalyst or a leader, was central to this process’ (p. 176).

Going forward, the author notes the possibilities and constraints of this catching-up process. Illustratively, while in case of China, declining productivity, limits of external markets and sustainability of the political system could all pose potential constraints, for India, these appear in the form of crisis in agriculture, bottleneck in infrastructure and limited spread of education. The fact that the impact of the global financial crisis has been less adverse on the developing countries is seen by the author as the potential source of immunity of these countries. On the contrary, the significant environmental consequence of rapid growth in the developing countries like China and India could be another force on the flip side. Notwithstanding these concerns, the author ends with a promising tone and speculates that, ‘The outcome, fifty years later, is likely to be a multipolar world in which dominance might not be so striking’ (p. 185).

Despite its broad canvas and analytical structure, to this reviewer, the exposition of the book seems to suffer from two broad acts of omissions. First, the author is quite reticent on the fall of the iron curtain and its possible impact on the forces of catching-up. It will be interesting to probe into the impact of the events that began in Poland in 1989 and continued in countries like

Hungary, East Germany, Bulgaria, Czechoslovakia and Romania on the process of catching-up. Second, in terms of picking up the winners from the global growth process, various parallel works exist. Illustratively, the 2008 Growth Commission Report (popularly known as the Michael Spence Commission report in honour of its chairman) picked up the following 13 economies: Botswana, Brazil, China, Hong Kong (China), Indonesia, Japan, South Korea, Malaysia, Malta, Oman, Singapore, Taiwan (China) and Thailand. Two other countries, India and Vietnam, may be on their way to joining this group.¹ Despite the commonalities, the Growth Commission list differs from author’s list of ‘Next 14’ nations. Can the difference be traced in author’s classification of developed versus developing countries? A discussion on such parallel efforts and the uniqueness of the author’s list of winners would have made the discussion more complete.

But these are comments at the margin. The book is full of evidence of scholarship in the classical tradition, which is less compartmentalized and contains multitude of body of knowledge. Showing that the devil often lies in detail, the author is essentially eclectic in his approach and instead of telling the story in terms of ‘a theory’; the logical tenet of the book is woven with various genres of theories—historical, political, cultural, anthropological and economic. The author has an uncanny ability of not missing the trees, while describing the woods and to draw empirically robust conclusions from the existing body of evidence is abundant throughout the book. Finally, the style of the prose suits the exposition immensely where the uninitiated reader can get the broad tenets of the book, even while skipping the detailed tables. In the days to come, to the all the readers interested in history, economics and politics of global growth process, this book is going to be a must-read.

¹ Commission on Growth and Development (2008): *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, Washington DC: World Bank, available at, <https://openknowledge.worldbank.org/handle/10986/6507>.