

Book Review

50 Years of Asian Development

Resurgent Asia: Diversity in Development

By Deepak Nayyar

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Asian Transformations: An inquiry into the Development of Nations

Edited by Deepak Nayyar

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Over the last 50 years, Developing Asia has emerged as the most dynamic region in the world, in contrast to a continent regarded as trapped in perpetual underdevelopment in the 1960s when Gunnar Myrdal wrote his magnum opus, *Asian Drama: An Inquiry into the Poverty of Nations*. To mark the half-century since the publication of Myrdal's book in 1968, the United Nations University World Institute for Development Economics Research (UNU-WIDER) launched a large-scale research project under the initiative of Deepak Nayyar. The ambitious nature of the task is at once apparent for anyone who tries to commemorate, with a new scholarly publication, the 50th anniversary of the publication of *Asian Drama*, which appeared in three volumes of 2,300 pages in total. Asia is a vast continent, with so many distinct countries in terms of their economies, societies and diverse historical heritages. With invaluable institutional support from UNU-WIDER, Nayyar decided to produce two volumes – an edited volume and an authored book – that can be appreciated on their own merits, not just as a sequel to Myrdal's monumental publication.

Reflecting the enormous social and economic transformation of many countries in Asia, the edited volume has the fitting title of *Asian Transformations: An Inquiry into the Development of Nations*, comprising chapters by eminent scholars as designed and conceptualised by Nayyar. In *Resurgent Asia*, as a stand-alone book, Nayyar presents his own thorough accounts and analyses of Asia's development experiences, taking the opportunity to use "bold strokes on a wide canvas to sketch a picture of the economic transformation in Asia during the past fifty years" (p.10, *Asian Transformations*). These two books are complementary by design and *Asian Drama* served as their point of reference.

Resurgent Asia: Diversity in Development

As a developing region, Asia has accomplished a profound transformation at a historically unprecedented pace over the past five decades. *Resurgent Asia* analyses this phenomenal economic transformation, which would have been difficult to imagine, let alone predict, at the time of *Asian Drama* (Myrdal, 1968). The scale and extent of transformation of Asia over these 50 years, reflected in its demographic transition, social progress and economic development, has been unparalleled. In 1970, it was the poorest continent in the world, marginal except for its large population. By 2016, there was a striking change in its relative importance as growth surpassed that of other developing regions. Its share of world GDP rose from less than 10% to more than 30%, while its income per capita converged towards the world average, although the convergence was modest compared with industrialised countries because of the initial enormous income gap. The share of Asia in world industrial production jumped from a miniscule 4% to more than 40% and share of world merchandise trade rose from one-twelfth to one-third.

While the edited volume does help our understanding of Asian development paths analysed from different angles, a synthesis with a broader perspective to cover unexplained domains and unasked questions is valuable. *Resurgent Asia* is Nayyar's opportunity to provide this broad overview. Myrdal's *Asian Drama* was written from a European perspective, through a Nordic lens; Nayyar provides a comprehensive analysis of development spanning the diverse continent over five decades from an Asian perspective. *Resurgent Asia* provides a comprehensive narrative and analysis of the Asian development experience, the first since *Asian Drama*.

While situating Asia's remarkable story of development in historical perspective, the book contains an in-depth analysis of underlying factors with a focus on critical issues in the process and outcomes of development, extending beyond Myrdal's focus on South Asia. Given the size and the diversity of the continent, as Nayyar notes, the aggregate level is not always appropriate. Thus, the study disaggregates Asia into its four constituent sub-regions –

East, Southeast, South and West Asia – and covers 14 selected countries: China, India, South Korea, Indonesia, Turkey, Taiwan, Thailand, Philippines, Malaysia, Singapore, Pakistan, Bangladesh, Vietnam and Sri Lanka. These countries (the Asian-14) account for more than four-fifths of the population and income of Asia.

The author engages with many contemporary debates in development economics, reflecting intellectual wisdom accumulated over his long career as a distinguished academic and senior civil servant. The themes addressed are extensive. Chapter 1 provides a historical perspective on Asia in the world economy with a focus on the colonial era, while Chapter 2 presents a broad picture of Asia's economic transformation in the four Asian subregions in relation to the world economy over the five decades. The next five chapters focus on the Asian-14. Chapter 3 provides the story of economic growth and macroeconomic analysis. Chapter 4 covers the process of structural change and structural transformation, and the role of growth in engendering these dynamic processes. Chapter 5 analyses how policies of openness and industrialisation have facilitated the process of economic transformation and development. Chapter 6 considers the economic and political roles of governments and explores the interactions between governments and markets mediated through politics. Chapter 7 examines the unequal outcomes and uneven development across countries, and inequalities within countries. Chapter 8 returns to a pan-Asian perspective in the wider global context in discussing the evolution of the economic and political relationship between Asia and the world in retrospect and prospect and its implications for Asian development and the world economy. Chapter 9 offers concluding remarks. The book takes up many critical themes and issues in economic development, adding value to existing literature and making substantial contributions to deepening our knowledge and to both academic and policy debates. Several salient features are worth highlighting here.

Nayyar's careful analyses of data in a long-term historical perspective offers empirical evidence on how Asian countries have undergone phenomenal change in terms of their economic development, demographic transition and social progress, resulting in a significant shift in Asia's position in the world economy. His insightful analyses of empirical data are illuminating. For example, he shows that in a long historical perspective covering 200 years, Asian economies, in particular China and India, have just restored the region's relative position in the world held before the onset of the 'Great Divergence' – the decline and fall of Asia – during the colonial era. This restoration was achieved through admirable 'catching-up' endeavours in multiple fronts in most countries. East Asian countries stand out in taking notable strides by sustaining investment in skills, knowledge and technology acquisition.

Second, one should bear in mind that the story of Asia's success and rising share of world GDP as its per capita income surpassed that of developing countries and converged towards the world average income level has hitherto often been told in *aggregate*. In contrast, his detailed analyses at sub-regional and country levels highlight how uneven and heterogeneous the progress has been across the four sub-regions and Asian 14 – not only in their economic performances, the extent of structural changes and industrialisation or poverty reduction, but also in other social and demographic development indicators. Hence, the book's apt sub-title: *Diversity in Development*. The diversity in Asian development corroborates the heterodox position that openness, while necessary, is not sufficient for successful transformation unless it is underpinned by governments' strategic policy frameworks.

Third, in addition to providing rich empirical data and analyses, the book is unique in presenting a powerful analytical narrative of Asia's remarkable transformation in a historical perspective, and an economic analysis of the underlying factors behind this exceptional story of economic development. Such a narrative could be expected from a critical thinker and astute scholar such as Nayyar, who is immersed in the classical school of political economy of development. Myrdal, a critic of mainstream economics, is one of the founders of that school opting for pluralistic analytical positions in the early post-war period, when development economics was established as a distinctive sub-field of economics (see Chapter 1 in Nissanke & Ocampo, 2019). Thus, while the accounts of the diversity in development include the differences in nations' initial conditions such as resource endowments, embedded histories, colonial legacies and political systems and geopolitical factors, what makes this book and its companion volume unique and insightful as 'an Inquiry into the Development of Nations' is his deep appreciation of the central thesis of 'cumulative causation' at work in development processes.

The author explains that in the worldview held by Myrdal, 'development was a multidimensional process of *circular causation* and *cumulative change* in which economy, polity, and society interact not only with technology, history, and culture but also with each other. Cumulative causation could create vicious circles through negative feedbacks, keeping countries in a state of underdevelopment, or virtuous circles through positive feedbacks, placing countries on the path to development' (p. 31). While Myrdal emphasised the presence of a vicious circle at work in *Asian Drama*, constraining development, Nayyar gives a most lucid account of how a virtuous circle of cumulative causation could be created for development when the market and the state can effectively cooperate in a complementary fashion and in close coordination for the commonly shared goal of 'catching up'.

Nayyar is equally eloquent in his revelation that Asia's transformative development has been accompanied by rising inequality between countries and sub-regions and within countries. Asia is the region which has gained the most from globalisation that has gathered pace since the early 1990s, but the benefits from economic growth have not been shared evenly and widely. Although substantial poverty reduction was achieved as a continent, aided by rapid growth in many countries, the absolute number of the poor and vulnerable remain huge. In this context, he forewarns: 'social progress for people and economic development for countries, together, can reinforce each other in a virtuous circle. But unequal opportunities and unequal outcomes, together, can also

accentuate each other over time, making matters worse both for wellbeing of people and for the development of nations' (p.227). The book is full of such profound statements about how the development of nations can be realised along the transformative path.

After a wealth of empirical analyses and incisive theoretical inquiries, Nayyar moves on to discuss the evolution of the economic and political relationship between Asia and the world both in retrospect and prospect, leading to a careful contemplation of what the future may hold. His discussions on Asia's future are from a broad historical perspective, given that 'the future prospects of Asia in the world economy are likely to be influenced by, just as they are likely to shape, the international context' (p.230). Asia's rapid economic growth and transformation has had profound economic and geopolitical implications for the world in general, and industrialised countries in particular. He suggests that the recent rise of populism in industrialised countries is at least partially attributable to the rise of Asia in the world economy and is the most commonly observed manifestation of the political backlashes seen worldwide from the accelerated pace of economic globalisation. The political backlash has taken the form of resurgent nationalisms riding on populist or chauvinist sentiments globally. In industrialised countries, it is coupled with the fear of losing their historic hegemony, as Asia – the region identified as the decisive winner out of the contemporary phase of 'globalisation' – has been fast ascending towards the top seat in the world order.

Less space is allocated to the implications of Asia's rise and its transformational development paths for other developing countries in the South, addressed in the last two chapters. Nayyar does refer to channels through which Asia's higher growth and increased share in international trade has had impacts on other developing economies such as by offsetting changes in terms of trade. However, for other developing countries consequences have been deeper than documented here, as countries have experienced appreciable ramifications from Asia's ascendance to a status of a prominent global player in world politics and economic relationships as well as its bold experimentations with non-western development model. For example, heightened demand for natural resources by Asia did help resource-dependent countries in Africa and Latin America experience and sustain higher growth accompanied by a noticeable dent in extreme poverty in the first decade of this century. It is also critical to note other, if more tacit, influences. Asia's increased engagements with countries previously heavily reliant on western aid and finance have significantly changed the landscape of development aid and finance by offering a new kind of partnerships through expanding aid-cum-investment on the basis of 'South-South' development cooperation (Nissanke, 2019). Further, Asia's phenomenal success in catching-up with advanced economies has demonstrated that there is an alternative to Western development models.

Both Asia's *modus operandi* in development cooperation and its development models have raised fresh challenges for other regions. However, it is still significant that Asia has shown alternative visions and varieties in ways of organising market-based systems and engaging with other developing regions and countries. In this regard, it is worth noting that elsewhere in the book Nayyar makes important remarks relevant to the questions posed here. For example, in showing the diversity of experiences in Asia, he takes a clear position on the issue of 'replicability of the East Asian development model', arguing that developmental states in East Asia were an outcome of very specific circumstances embedded in history and conjuncture, which do not exist and cannot be reproduced elsewhere in Asia (p.226). On the respective roles of states vs markets, noting that the state and the markets are complements rather than substitutes, he reflects that 'the Asian experience suggests that efficient markets and effective governments, in tandem, provided the way forward to development' (p. 165). He also emphasises the importance of institutionalised checks-and-balances for making governments more development-oriented and people-friendly. Thus, for him, democracy is the way forward for development. Further, he reminds us that the world economy today is very different from the one in the preceding three decades, i.e. in the era of markets and globalisation, when the transformation of Asia gathered momentum.

Indeed, Hyper-globalisation as practised to date – corporation-led and finance-centred and purely market-driven integration – has exposed itself to the reality that the process is unsustainable socially, economically and politically as well as ecologically, with discontents growing all around (Chapters 1 and 2 in Nissanke & Ocampo, 2019). Faced with gross injustice of growing inequality, periodical financial crises of global nature, existential ecological crises, and now a global pandemic, globalisation is in retreat. Time is ripe for us to engage with the question of how to make political governance truly accountable for stakeholders and their wellbeing at both national and global levels. In this respect too, Nayyar is one step ahead of us when he discusses interrelationships between politics, markets and wellbeing for development of nations. It is imperative for us all to explore further workable triadic relationships between governments, market institutions and civil society/citizens as suggested by Bowles and Carlin (2020). The question of whether the 21st century would become 'an Asian century' will be judged by history, not so much in terms of Asia's economic growth records or shares in international trade and investment, but contingent upon whether and how Asia would position itself in relation to these new challenges facing the global community and commons, and make positive and decisive contributions towards building a just, inclusive and sustainable world order.

Overall, the book offers fascinating reading of *Asian Drama* as played out over the past five decades. It could be accomplished only by a piercing intellectual such as Nayyar who, in parallel to Myrdal, has been both an eminent academic and a distinguished policy practitioner with rich experience of holding key posts in the Indian

Government and international organisations (Chapter 1 in Dastidar, Malhotra, & Suneja, 2018). With such varied experience, he succeeds in making the book accessible to a much wider readership than just specialists and students in economics. *Resurgent Asia* offers an easy read: each chapter has a clear road map in the introduction as well as a succinct summary in concluding remarks. Together with the companion volume, the book will be an essential reading for development economists, area specialists, economic historians and aspiring generations of students across disciplines in social sciences for many decades to come.

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Asian Transformations: An inquiry into the Development of Nations

Mark Twain is supposed to have said ‘a classic is something that everybody wants to have read, and nobody wants to read’. Economist, administrator, political activist, Nobel Laureate Gunnar Myrdal’s *Asian Drama*, published in 1968, is a classic that every development economist should want to read and that many have read. This collection of 21 essays by eminent scholars, conceptualised and edited by Deepak Nayyar, a development economist of repute, analyses the growth and development record of the Asian countries over the 50 years since *Asian Drama*. The subtitle of this book ‘An Inquiry into the Development of Nations’, contrasts with the Myrdal’s subtitle ‘An Inquiry into the Poverty of Nations’. It reflects a departure from Myrdal’s pessimism, mostly drawn on the development experience of India, concerning the growth and development prospects of Asian countries and highlights the dramatic change in the approach to development policies and performance of the Asian countries in recent years.

The economic performance of the Asian countries since the 1980s provides a laboratory, as it were, for discussing Myrdal’s institutional approach to the study of development. The central idea of the institutional approach, as stated by Myrdal, is that the various aspects of development including history and politics, social stratification, agriculture and industry, population developments and health and education must all be studied not in isolation but in their mutual relationships. The essays, in three sections, discuss the dramatic changes in policies and performance of Asian countries. The four essays in the first section cover Myrdal’s research methodology and provide a historical perspective. The 10 essays in the second part provide cross country comparative analysis of the development experience. The third part provides case studies of China, India, Indonesia and Vietnam and three essays on the sub-regions – East Asia, Southeast Asia and South Asia. The book covers several development themes relating to Asia’s development including diversity in development, historical context, structural change, role of the state and markets in development and economic openness.

Several of the essays in the first part of the book discuss Myrdal’s pessimism concerning the prospects for growth and development of the Asian economies. Myrdal was mostly concerned with the development prospects of the South Asian economies, formerly known as the Indian Sub-Continent (the former colonies of Britain, especially India). Nayyar’s opening essay, that sets the stage for the book, discusses the strengths and weaknesses of Myrdal’s approach to the study of development, to highlight where he was right and where and why he turned out to be wrong. Myrdal’s pessimism centred on the policymakers recognition of the role of the state in the development process, specifically the failure in practice because of the vested interests of administrators to promote their private fortunes rather than the social good. As Ravi Kanbur notes in his essay, Myrdal termed the gap between the formulation and implementation of policy by policymakers as ‘the soft state’. That which interposes between policy formulation and its implementation is corruption. Many of the essays in the volume

discuss corruption. Kaushik Basu's analytical narration of India's economic performance and policies over the years suggests that anti-corruption polices are used as an instrument by the ruling parties in a democracy to silence and discipline the opposition and the press.

Press reports suggest that corruption has increased in India since the liberalisation of the economy during the 1990s. It may be that corruption and growth are positively correlated. Businesses that need investment goods and transport facilities for goods and services may be compelled to bribe the suppliers and bureaucrats who administer trade and investment regulations. India since 1991 and China since 1978 have both achieved relatively high growth rates but Kaushik Basu cites data that puts India at 81 and China at 77 amongst 180 countries ranked by Transparency International in terms of the perceived levels of corruption in 2016. Justin Lin's informative and analytical essay on China in the third part of the volume provides an explanation for the high level of corruption in China. In 1993 the Chinese government allowed private companies to enter the mining sector with its opportunities for increased profits. Obtaining permission to enter the sector and the subsidies that they could gain compelled firms to bribe the bureaucrats in charge of awarding the entry permits and concessions. In addition, large-scale service industries such as banking, power and telecommunications in China are state-owned monopolies. They are the sources of corruption and rents as Lin puts it. Corruption in dictatorships, contrary to the popular view, may belong to the good corruption category – good corruption delivers the goods whereas bad corruption fails to do so. Corruption in China was obviously of the good kind. Mushtaq Khan's discussion of corruption in South Korea in his essay on institutions and development also illustrates the presence of the good kind. In South Korea, industrial policy rents distributed by the state agencies involved much corruption. The state agencies and the *chaebol* (large firms) both realised that productive growth enhanced profits that could be shared. In this case, corruption promoted productivity and it was of the good kind.

One of the institutions central to designing and implementing policies formulated by the ruling party is the bureaucracy. Its central role in implementing policies provides it with ample opportunities to gain from corruption. India's bureaucracy was well placed to benefit from corruption especially during the days of the licence raj that terminated in the 1990s. Myrdal observed that the top notch of the bureaucracy – the Civil Service that India inherited from the British – is compatible with the hierarchy of the caste system and suggested that the administrative system saturated by caste is aloof from the public and has an exaggerated notion of its own status. The bureaucracy may be subservient to the corrupt politicians in power; civil servants who do not comply with their wishes may be asked to leave the capital city to serve in remote areas of the country.

Myrdal seems to have shared the export pessimism and scepticism towards international capital flows prevalent in most developing countries during the 1950s and 1960s. Raul Prebisch the Argentinian economist and Hans Singer of the Institute of Development Studies in Sussex provided the intellectual support for the export pessimism embraced by the politicians of the time. It was their contention, that had some statistical support, that the terms of trade tended to turn against exporters of raw materials and agriculture-based products from the developing countries and in favour of the exporters of manufactures from the developed countries. This outcome had to do with the inelastic demand for exports of agricultural products as against that of manufactures.

The export pessimism thesis provided additional support for the ideology-driven import substituting industrialisation polices in developing countries, especially so in India. Alternative strategies such as the wage goods model proposed by Brahmada and Vakil of the Bombay School of Economics, that emphasised the production of agricultural goods utilising labour-intensive techniques, were ignored. Myrdal seems to have been in a quandary – theory and facts seemed to support the State led import substituting industrialisation strategy of development at the time of his writing, but implementation of the strategy laden with corruption hardly promoted social welfare. Ravi Kanbur reports that Myrdal's advocacy of state-led policy of development met with widespread criticism. That it was criticised by Peter Bauer, an advocate of the market driven approach to economic problems, is not surprising but that it met with criticism from commentators in India including PC Mahalanobis, the architect of India's five-year plans, is surprising.

Kanbur's essay provides a succinct analysis of the evolution of Myrdal's approach to the development problem. Myrdal's dictum concerning the interdisciplinary nature of research methodology of the development problem and policy prescriptions is also the content of Frances Stewart's essay. Myrdal was sceptical of the relevance of the so-called western economic theory for an analysis of the development problem, mostly because of the sort of institutions that are specific to the developing countries. Myrdal's view that Western theories and concepts are inapplicable to the development problem in developing countries is controversial. Several economists, of which Deepak Lal was the most vociferous, dismissed this view and argued that there is no such thing as Western economic theory and Eastern economic theory. Economics everywhere and anywhere is concerned with the problem of utilising scarce resources in fulfilling as many of the competing ends as possible, as suggested by Lionel Robbins. It is however a fact that the developing countries are faced with several competing objectives and resources are much scarcer in these countries than in the developed countries. These differences require reformulation and alterations of policies to attain economic objectives. Growth is the objective in developing countries while in the developed countries it is the smoothening of fluctuations in the growth of incomes. Thus, as Nayyar (2007) explains, monetary policy in the developing countries is often used to promote growth, whilst in the developed countries it is used to smooth fluctuations. In this context, two points made by Stewart in her essay on methodology are of significance. One is that the need to think beyond growth

maximisation in both the developed and developing countries is overwhelming as both face environmental problems. Second, a considerable convergence in incomes between the North and South has occurred in recent years and both share many of the problems posed by growth and development. These developments call for economic policies common to both the East and the West (or the North and South).

Ronald Findlay's piece in the first section of the book provides a historical perspective on trade and international relations of countries in Asia with two observations on the appropriateness of Western theory to problems of development in the East. First is Veblen's observation that the strength of the Japanese nation lies in the unique combination of feudal fealty and chivalric honour with modern technology. Western ways of doing things can sit with Eastern values and ways of life. His second observation that India and China failed to lead the Industrial revolution mostly because rulers in the past in India were content with exploiting agriculture for their own good rather than promoting agricultural productivity that would have provided the resources for industrialisation whereas the Chinese were keen on channelling the available intellectual talent into passing the civil service examinations rather than acquiring knowledge of science and mathematics. Here again, it is policy objectives that may differ between nations and not policies themselves.

Striking a balance between the state and the market in the development process is another issue discussed in *Asian Drama*. The role of the State in the growth and development process features in several of the essays. The impressive growth performance of the East Asian countries in recent years, that defied the growth pessimism of Myrdal, is attributed mostly to the role of the state in the development process. A sense of nation-building in the entrepreneurs was cultivated by the state and there were interpersonal ties between the entrepreneurs that promoted joint projects. Two other factors that enabled state-led development cited by Peter Evans and Patrick Heller in their essay on the State and Development are worth noting. First, the salaries paid to the civil servants were on par with comparable private-sector jobs. Second, the revolutions and wars in the East Asian countries had wiped out the landed elites in local politics, most of whom would have cultivated their private fortunes at the cost of the social good. Their absence was a boon to the state in these countries, most significantly because the state could revitalise agriculture – a *sine qua non* for development.

Robert Wade's essay notes the Japanese contribution to the role of the state in the development process in Taiwan and Korea (the two countries it colonised during the mid-nineteenth century); these two countries were treated by Japan as offshore mines, farms and industries closely integrated to the core. The coloniser not only promoted agricultural productivity but also equally important children's education. By 1949, 50 to 70 per cent of Taiwanese and Korean children were in elementary schools. In India, it was not until 70 years after achieving independence from the British that 50 per cent of school age children were in schools. Korea and Taiwan were also blessed by the influx of substantial resources from the United States during the Cold War years of the 1950s and 1960s. Topping all these factors is the compliance of the people to the objective of promoting the social good. As the Economist (2020), commenting on the willingness of South Koreans to adhere to the state's dictums on managing the Corona virus, puts it 'a strong, bossy state combined with individual willingness to compromise and show self-discipline for the benefit of society as a whole'. This obedience of the citizens to the dictates of the state is a factor in the success story of Korea. But will it last? Will the citizens whose incomes and economic welfare have peaked continue to obey the dictate of the State?

A strong state as opposed to a soft state must place the welfare of the lower income groups and the disadvantaged in the country ahead of its ideology. China provides an example. During the 1950s the emphasis of policy was on building modern industries with the objective of overtaking Britain and the USA. As Justin Lin notes, China did not possess a comparative advantage in these industries, more than 80 per cent of the labour force was employed in agriculture and the per capita income of the country amounted to 4.8 per cent of that of the USA. The heavy industries in which China did not have a comparative advantage were heavily subsidised, wage rates and interest rates for these industries were kept arbitrarily low, and they were accorded a monopoly for their products. Results of the strategy were as expected: industrialisation did materialise, the size of the labour force in agriculture declined and urban population increased substantially. However, household consumption increased by only 2.3 per cent per annum and not much was achieved in terms of development goals.

The post 1978 years saw a dramatic change in policy. Deng Xiaoping, the then leader, not only accorded priority to development goals, mainly the production and export of labour-intensive goods, but also preserved the state-owned capital-intensive industries with subsidies and concessionary borrowing rates from the banks. Establishment of Special Economic Zones (SEZ), joint ventures with foreign firms and support of various sorts for the entry of private firms into the economy were the basic features of the post 1978 dual economic policy of China. The emphasis placed on production and export of labour-intensive manufactures reflects the emphasis on comparative advantage possessed by the economy rather than ideology. China falls in the group of countries identified by Nayyar as those that regard the state and markets as complementary to each other, but even the best of policies has side effects, such as corruption and increased income inequalities in China discussed by Justin Lin.

It is a fact that countries with democracies in theory but dictatorships in practice can boast of an impressive growth and development record. Singapore, Vietnam and Thailand may fit this bill. India is as always an exception – it does not fit any of the categories. India's economic planning strategy was driven by ideology and export pessimism as discussed earlier. While the strategy in place until the 1990s did not produce dramatic growth and development, it did produce respectable growth rates exceeding 3.5 per cent in most years, endowed

the economy with an industrial base and was a creditable precursor to the post 1991 economic liberalisation programme. Kaushik Basu's analytical review of the pre 1991 performance of the economy highlights the many achievements that very few other countries can claim: democracy that has survived for several decades in a country that is heterogeneous in more ways than one, free speech, independent media, and equal rights for all its citizens. Even so, is all this to be cherished in an economy that is much behind China on most indicators of development? Is the democratic freedom worth the high levels of poverty and low living standards for the majority of the population? There are rays of hope: since the liberalisation of the economy in 1991 the growth rate has been high and there has been a considerable reduction in poverty. Unfortunately masking every ray of hope is a cloud – the Hindutva that is gripping the country.

Apart from the role of the State in the development process the essays in the book raise several other issues. One such issue is whether countries colonised by the British have a worse development record than those colonised by Japan in Asia? Nayyar's introductory essay notes Japanese colonialism provided mass education, a disciplined workforce and traditions of state intervention supporting nationalist zeal in South Korea and Taiwan. The primary objective of the British in the sub-continent was revenue collection and maintenance of political stability and the colonial policies and institutions affected post-colonial growth and development of agriculture. The British established three different methods of revenue collection – a landlord-based, an individual cultivator-based and a village-based system. Banerjee and Iyer (2003) argue that in independent India performance of agriculture was lower in the landlord-based areas (because of agitation for land reforms on the part of agriculturists and politicians but little effort to increase agricultural productivity). This finding is however sensitive to how one classifies districts by the colonial revenue systems (Iversen, Palmer-Jones, & Sen, 2013).

Agriculture and its contribution to the structural transformation of the economy is discussed in most essays. Rob Vos analyses changes in the agricultural sector in recent years. Most of the Asian countries especially South Korea, Malaysia, Japan and Vietnam have registered impressive growth in productivity of agriculture and a declining share of labour employed in agriculture. The laggards here are India, the Philippines and Indonesia. Vos estimates the productivity of agriculture by deducting the employment share of agriculture from the value added of agriculture. India's performance on this measure is relatively poor as the number employed in agriculture was around 45 per cent of the total labour force in the year 2016. Finn Tarp documents the impressive performance of Vietnam's agriculture despite French colonial exploitation and the human and economic costs of the 1954–75 American war. After the reunification of the country in 1976, a heavily socialist inspired command type of economy launched ambitious five-year plans to rejuvenate the economy. Unfortunately, the economy was beset with extremely volatile fluctuations in food production and Vietnam had to rely on large amounts of food aid support from Russia and the Eastern European countries. Faced with an economy in decline the Communist party in power instituted a set of far-reaching policies. Prominent was the liberalisation of the price of rice, phasing out of agricultural cooperatives, the redistribution of land to the peasants and the introduction of technology and inputs. These reforms paid off. By the year 2018 Vietnam was exporting rice and other products and a substantial number of workers migrated to urban areas. Most of them were employed in small and medium-sized enterprises and in services. Manufacturing in recent years has accounted for 33 per cent of GNP and services for 51 per cent leaving agriculture with 16%. Labour force in agriculture dropped from 70 per cent to 39 per cent by 2019. Vietnam presents a picture of successful transformation of the economy built on growth in agricultural productivity driven by institutional and technological change, increased private enterprise participation in the manufacturing sector and growth of tourism in the services sector.

Structural transformation in India differs from that in most other Asian countries, the principal difference being the high share of services in GNP and very low share of manufacturing. Almost 85 per cent of the reduction in the share of agriculture in GNP between 1980 and 2009 was absorbed by services as estimated by Gaurav Nayyar (2012). Kaushik Basu's essay provides a succinct summary of factors that have promoted the services sector in India. The issue of significance though is how can services, with information technology at the fore, contribute to promoting employment in the economy. One feature of the IT sector in India is that it is much more oriented towards exports than the home market. Investments in education at the lower levels and training in the use of computers would be invaluable in transmitting the sort of production and marketing know-how the agricultural sector in the various state's need. IT services can be used effectively to promote both production and marketing. It could also vitalise manufacturing, especially firms in the unorganised sector; organised manufacturing outsources components to the unorganised sector and such links between the two sectors can be strengthened with IT services. Perhaps India could draw lessons from the experience of Vietnam and South Korea in promoting the agriculture sector. As Ha-Joon Chang and Kiryl Zach emphasise in their essay on 'industrialisation and development', pragmatism and willingness to adapt any tools and policies deemed beneficial for industrial catchup, even when they went against their ideological position, underscores the success of most of the East Asian countries in building up their manufacturing sectors. India's economic policies were grounded in ideology rather than pragmatic considerations until the 1990s. The policy of import substituting industrialisation that placed emphasis on capital-intensive heavy industry and on engineering and science education, reflected in the establishment of several institutes of technology, with secondary importance attached to agriculture, all account for the structure of the Indian economy. Whilst the growth rate was not negligible its impact on reduction of poverty and development in general was not substantial.

Another issue that figures in most of the essays in the book is the outward orientation of most Asian economies, save India until the 1990s. The emphasis placed on exports of labour-intensive manufactures, establishment of special economic zones (SEZ) with subsidies for export-oriented industries and attracting FDI were basic to the success of most of the East Asian countries and China. Richard Kozul-Wright and Daniel Poon provide a succinct review of open economic policies followed by the Asian countries. SEZ or EPZ (Export Processing Zones) were established by most Asian countries including India providing a variety of incentives to both foreign and domestic investors but success in promoting exports has varied. China, South Korea and to a lesser extent Malaysia increased exports of labour-intensive exports in the initial years and progressed towards relatively technology and capital-intensive exports in later years. SEZ in India appear to have been less successful; Kozul Wright and Poon cite several problems including over emphasis on IT industry, lack of infrastructure and complications relating to land acquisition. China's SEZ contributed to the growth of exports and technological change in the manufacturing sector. The first four zones in China were established in the southern coastal areas in the 1980s when policy supported production and export of labour-intensive products in which the country had a comparative advantage. As Kozul-Wright and Poon narrate, the Chinese government provided several incentives to firms in the zone including information and professional platforms, testing centres and joint ventures between foreign and domestic firms with the objective of transferring technology from the foreign to the local firms.

One of the striking examples of a country that has been highly successful in promoting growth and development is Bangladesh. Osmani's essay on South Asia underscores the sort of policies that enabled Bangladesh to exploit its comparative advantage. Markets for agricultural inputs were liberalised with the elimination of non-tariff barriers to the importation of irrigation equipment from the year 1988. Equally significant was the promotion of exports of garments in which the country possesses a comparative advantage. As Osmani argues, Bangladesh embarked on trade liberalisation, slashing tariffs much faster than most other developing countries. Anti-export bias was reduced with a variety of direct incentives to exporters. Also well known is the significant role played by the NGO community in Bangladesh in the provision of affordable microcredit, strengthening the female labour force, and promoting human capital at the grass roots level by providing informal education and health care to the poor. Bangladesh provides an excellent example of a country whose democratic government, and institutions such as the NGOs, have promoted growth by exploiting its comparative advantage in labour-intensive products.

This volume of essays admirably fulfils its editor Deepak Nayyar's vision that a book that covers the story of economic development in Asia, half a century after the publication of Myrdal's *Asian Drama*, would be a brilliant idea. The essays in the book, including those that are not explicitly discussed in this review (such as by Amit Bhaduri on macroeconomic perspectives, Suprito Mundle on education and health, Prasenjit Duara on nationalism and Peter Timmer on Indonesia), will be of immense value to graduate students and researchers in development economics.

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