



CATCH UP: Developing Countries in the World Economy. By Deepak Nayyar. Oxford: Oxford University Press, 2013. xiv, 221 pp. (Figures, tables.) US\$52.50, cloth. ISBN 978-0-19-965298-3.

Since the last fifty years, first with the rise of East Asia, and now the emerging economies of Brazil, Russia, India and China, economic power is gradually shifting to the South, as living standards of some of the developing world slowly but steadily catch up with those of the advanced market economies. But were countries in the South always behind the countries in the North in living standards? If not, when did the divergence between the North and the South begin? How extended is the convergence of the South with the North in recent years—which countries have caught up and which countries still lag behind? What explains the catch up of developing countries with the richer countries of the West? Is it trade, capital flows or migration?

In an ambitious and far-reaching book, Deepak Nayyar puts together a fascinating treatise of economic history that is painstakingly researched and elegantly argued. Starting with the onset of the second millennium, in chapter 2, Nayyar notes the overwhelming significance of the South in world incomes and populations, with Asia, Africa and South America taken together accounting for 82 percent of world population and 83 percent of world income in the year 1000. The relative importance of the South remained more or less unchanged for the next five hundred years. Then, beginning in 1500, and then more sharply, after 1820, the relative importance of what Nayyar calls the Rest, comprising Asia, Africa and Latin America, fell steadily. In 1820, the Rest's share in world income was 63 percent. By 1950, it was a mere 27 percent. The drop in relative income was particularly sharp for Asia: its average GDP per capita was 48 percent of Western Europe and Western Offshoots (which includes the USSR and Eastern Europe) in 1820, and had declined to 10 percent in 1950. What explains this phenomenon, which Nayyar calls the Great Divergence? In chapter 3, Nayyar argues that this was primarily due to colonial policies and the politics of imperialism, and the mercantile expansion of trade, underpinned by the state and naval powers of the colonizers, that hastened the process of de-industrialization in Asia.

However, in chapter 4, Nayyar documents a reversal of fortunes “from 1950 onwards, and especially from 1980, when the share of developing countries in world GDP stopped its relative decline in 1962 when it was one-fourth, to increase rapidly after 1980, so that it was almost half by 2008” (73). In chapter 5, Nayyar documents a similar upsurge in the engagement of developing countries with the world economy. Since 1980, their share in world trade also increased rapidly, and so did their shares in stocks and flows of inward and outward foreign direct investment in the world economy. There was also a significant increase in international migration flows from developing to developed countries, with new forms of mobility driven by markets and globalization. Similarly, in chapter 6, Nayyar observes a sharp increase in the share of developing countries in world industrial production.

However, in chapters 7 and 8, Nayyar notes that the process of catch up of developing countries with developed countries has not been even among regions and also between countries in the same region. Among emerging economies, Nayyar finds that Asian countries had brought an end to divergence and saw a convergence. On the other hand, the Latin American emerging economies stayed roughly where they were, while the two African countries that Nayyar looks at—Egypt and South Africa—experienced a continuing divergence. Nayyar attributes this to initial conditions, enabling institutions and the role of governments as catalysts or leaders. Nayyar also finds that there was an exclusion of regions within the emerging economies in the catch-up process, that inequality between countries persists, and that the increase in standards of living in the developing world has not done away with extreme poverty in many developing countries. Nayyar concludes in chapter 9 with some reflections on the “prospects, in terms of possibilities and constraints, for countries that have led this process of catch-up so far and for those that might follow in their footsteps” (173).

A weakness of the book is that the explanations that Nayyar offers for both the initial divergence and the more recent convergence of developing countries are not compelling. Nayyar argues that the initial divergence was due to the mercantilist policies followed by European colonizers and that the later catch up was due to the specific set of import-substituting policies followed by East Asian countries that enabled them to industrialize rapidly, in spite of being late-comers to industrialization. While these explanations have some weight, it is surprising that Nayyar does not give sufficient consideration to the role of institutions in explaining the process of divergence in the nineteenth century (Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Profile Books, 2012) and the positive effect of “re-globalization” in the catch-up of Asia with the developed countries in the late twentieth century (Ronald Findlay and Kevin O’Rourke, *Power and Plenty: Trade, War and the World Economy in the Second Millennium*, Princeton University Press, 2007). In spite of this limitation, *Catch Up* is an important contribution to world economic history and to development studies. It is provocative and illuminating at the same time, and should become essential reading for those interested in understanding the process of economic development in historical terms.

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