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Deepak Nayyar, *Catch Up: Developing Countries in the World Economy*.

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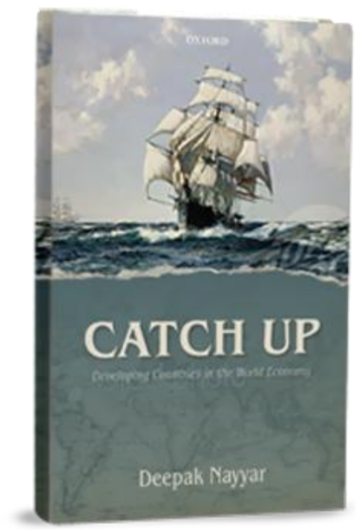
Reviewed for EH.Net by Marianne Ward-Peradoza, Department of Economics, Loyola University Maryland.



Deepak Nayyar, Professor Emeritus at Jawaharlal Nehru University, takes us on a journey tracing the contours of developing country participation in the world economy from the second millennium to the present. *Catch Up* thus goes beyond the traditional post-1950 assessment of development experiences, providing additional context and some new perspectives on developing country economic performance. In particular, the author seeks to contrast divergence between developed and developing countries in the nineteenth and early twentieth centuries with the closing of the gap that occurred in the late twentieth and early twenty-first centuries. In addition to the evolution over time, the analysis highlights the disparity in outcomes across regions in the developing world. For the purposes of this study, the developing world is Africa, Asia (excluding Japan), and Latin America including the Caribbean.

The book is divided into two broad sections. The first, comprising chapters 2 and 3, examines the period 1000 to 1950. The second section, chapters 4 through 9, focuses on the post-1950 period, and considers the nature of developing country participation in the world economy since 1950. Nayyar supports his arguments throughout using GDP, population, trade, and manufacturing data along with inequality and poverty measures for developed and developing countries. While it is possible to raise various questions about data choices and sources, these issues are tangential and do not appear to affect the overall argument. Two striking points emerge from the analysis. First, divergence before 1950 and catch up in recent decades are more about divergence and subsequent catch up in Asia, and India and China in particular, than in developing countries as a group. Second, regional disparities in economic performance across developing countries are substantial.

Chapters 1 through 3 provide the foundation for the analysis of "catch-up" in the post-1950 period. Chapter 1 identifies the issues to be addressed. Chapter 2 documents the process of divergence that characterized the interaction between developed and developing countries in the two centuries before 1950. While developing countries dominated world manufacturing production in 1750, this situation would soon change. Between 1820 and 1950 the share of world GDP for developing countries (called "The Rest"), fell from 63.1% in 1820 to 27.1% in 1950. This dramatic decline occurred largely due to declines in GDP, particularly manufacturing output, in India and China. Over the same period, the "West" increased its share of world GDP from 36.9% in 1820 to 72.9% in 1950. Chapter 3 seeks to identify the factors that set the stage for the observed divergence. The factors identified include the development of initial conditions in Europe during 1500-1700, the start of the industrial revolution in Britain and its expansion to Europe, and the global economy of the late nineteenth century.

Chapter 4 picks up in the post-1950 period, and documents the end of divergence between developing and developing countries, and the beginnings of the process of catch-up. Between 1950 and 1980, developing countries continued to fall behind industrial countries, though at a slower pace than in the nineteenth century. The period 1950-2008 was characterized by a closing of the gap in levels of GDP and GDP per capita relative to industrial countries and higher growth rates in developing countries. As with the divergence for the period before 1950, this process of catch up is driven by GDP gains in Asia, as Latin America maintained its position relative to industrial countries and Africa continued to fall behind.

Chapter 5 focuses on international trade, international investment and international migration. While developing countries have experienced expansion in their share of world trade as compared to 1900, the disparities in outcomes across regions remain. In the post-1950 period, Asia has seen dramatic gains in the share of world trade, while Africa experienced declines, and Latin America after declines in the 1990s, remains at approximately 1970 levels. The data on foreign investment is for a much shorter period, starting in 1990. Activity was again more heavily concentrated in Asia with the significance of international investment at the end of the twentieth century similar to levels at the end of the nineteenth century.

Chapter six focuses on structural change across regions. Asia emerged as the only developing region showing the classic pattern of structural change with a reduction of GDP and employment shares in agriculture, along with increases in manufacturing and services. Asia was also the only region that saw a substantial increase in its share of world manufacturing valued added. For developing countries as a group, there is a transition in the composition of merchandise exports over time from primary products, to low-technology manufactures, to medium-technology manufactures to high-technology manufactures. This stands in contrast to the late nineteenth century when developing countries exported primary products and imported manufactured goods.

Chapter seven focus on the performance of fourteen individual countries identified as leaders. The author considers four countries in Latin America, eight countries in Asia and two countries in Africa. These examples, encompassing a wide range of endowments, transition paths and development models, highlight the diversity of approaches that can produce successful outcomes. The broad lessons that emerge are the importance of physical infrastructure and access to education (called initial conditions by the author), enabling institutions to support the process of industrialization, and supportive governments. Chapter eight address the evolution of poverty and inequality across countries and people. While inequality across countries has declined since 1950, inequality within countries, including developing countries has increased. Similarly, poverty rates have declined somewhat since 1980 but the number of people classified as poor (living below PPP $1.25 and PPP $2 per day) remains substantial. While Asia has driven the catch up process that is the central theme of this book, it remains home to over seventy percent of the world's poor.

Chapter 9 concludes, outlines opportunities and potential problems for developing countries, and sketches some possibilities for the future. The author sees the beginning of the twenty-first century as heralding a shift in the world balance of power similar to the rise of Britain in the nineteenth century, and the rise of the United States in the twentieth century. What does this mean for the twenty-first century? While the analysis highlights the importance of Asian economies in the recent catch up process, it remains unclear if any potential shift in the world balance of power will tilt toward one country, or several countries.

This book will be of interest to anyone interested in the evolution of the world economy. The focus on the role of developing countries in this process provides a new perspective on this important topic. Perhaps the most useful aspect of this book is that it integrates a long history of complex and multifaceted growth experiences across the developing world into a coherent and concise format, making it accessible to a wide audience. Scholars from across the social sciences, policy-makers, students and general readers will all find this book interesting and insightful.

Marianne Ward-Peradoza is Associate Professor of Economics at Loyola University Maryland. Her research is focused at the intersection of economic history, economic development and international macroeconomics. She is working on international comparisons of incomes and productivity for a variety of industrial countries in the late nineteenth and early twentieth centuries and several Caribbean countries in the twentieth century.