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## Catch Up: Developing Countries in the World Economy

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## Book Reviews

### **Catch Up: Developing Countries in the World Economy**

Deepak Nayyar

*Oxford: Oxford University Press, 2013, pp. 240, ISBN 978–0–19–965298–3 (hardback)*

In this well written and well-articulated book Nayyar tells the development story from the perspectives of developing countries. This is a welcome, and given the rapid ascendancy of many developing countries, also a necessary initiative. Although based on detailed analyses, and with academic rigor one expects from an author like Nayyar, the book tells the story in a clear fashion accessible to a wide audience.

Nayyar distinguishes four periods of significant changes of developing countries: *The first period, 1000–1500*, which was characterized by the overwhelming importance of developing countries, accounting for more than 75% of world population and world income, attributable to just two countries, China and India, which together accounted for about 50% of world population. *The second period, 1500–1820*, with the beginnings of change, associated with three developments in Europe: the discovery voyages and the colonization of the Americas, the mercantile expansion of trade, supported by State power and naval power, and the institutional changes creating the initial conditions for capitalist development. Nayyar argues that in this period, similarities between Europe and Asia were still striking: in 1820 Asia, Africa and Latin America still accounted for around three-fourths of world population and two-thirds of world income. *The third period, 1820–1950*, which saw the “Rise of the West” and the “Fall of the Rest.” Asia, Africa and Latin America declined so that, by 1950, they accounted for two-thirds of world population and one-fourth of world income. Changes in manufacturing and increased productivity transformed Western Europe. Imperialism imposed free trade, and together with the transport revolution, the natural protection provided by geography was dismantled, accelerating the process of de-industrialization in Asia. *The fourth period, 1950–2010*, was characterized by a significant catching up by developing world, driven by economic growth higher than in the industrialized countries, which gathered further momentum in the 1980s. These rates of growth were far higher than rates of growth in industrialized countries at comparable stages of their development. The divergence in per capita incomes came to a stop in 1980 and a modest convergence began thereafter to gather momentum in the 2000s. On the whole, the significance of developing countries in the world economy circa 2010 is about the same as it was in 1870 or a little earlier. Nayyar predicts that the significance of developing countries in the world economy circa 2030 will be about the same as it was in 1820.

Nayyar notes however that the catch up, he documents so well, was distributed in an unequal manner between regions and between countries within regions, resulting in an increasing divergence within the developing world and singles out 14 countries (4 in Latin America, 8 in Asia and 2 in Africa, the so-called *Next14* or *N14*) which contributed to the catch up and whose development could give insights for other developing countries. Nayyar attributes this outcome to different national strategies and economic policies in the post-colonial era and regards infrastructure and the spread of education in society as critical

elements for catch up. The role of the state in evolving policies, developing institutions and making strategic interventions, whether as a catalyst or a leader, is also central to the process of catch up.

But rapid economic growth was not quite transformed into meaningful development that improved the well-being of ordinary people. Absolute poverty has been reduced but poverty persists while economic inequality has risen significantly especially in most countries of the N14. Despite country specific constraints Nayyar argues the developing countries must ensure that the benefits of catch up are distributed in a far more equal manner between people and regions within countries. It will not be possible to sustain economic growth in the long run if it does not improve the living conditions of people: poverty eradication, employment creation, and inclusive growth are an imperative. This, Nayyar, sees as the only sustainable way forward because it enables developing countries to mobilize their most abundant resource, people, and reinforce the process of growth through cumulative causation. Therefore, developing countries must endeavor to combine economic growth with human development and social progress.

The latter is a formidable challenge which Nayyar, as he himself indicates, cannot be fully treated in his book. In the last chapter he sketches four reasons why other developing could follow the N14, but then acknowledges that countries may not reach their potential because of country specific constraints, both internally and externally.

Regarding internal constraints Nayyar emphasizes the two way interaction between development and institutions, both economic and social, as well as control mechanisms to deal with market and government failures. He would like to see a Karl Polanyi type of change in catchup countries. As to external constraints Nayyar argues that the recent economic crisis would not halt the catch up process and pleads for faster development of non-fossil types of energies. He regards the end of the first decade of the twenty-first century as a turning point of profound changes in the balance of economic and political power in the world, in which countries either could cooperate better in a multipolar world or where reluctance of the dominant powers to acknowledge reality could halt the process of economic and social integration. The rising tensions and the slow progress or even regress in global governance and economic cooperation since 2010 (stalled reform of Bretton Woods, lack of coordination of economic policies, lack of agreement on sustainable development) only underline Nayyar's observation.

This book is a commendable addition, combing historical and economic analysis, to the current debate on the fast geopolitical changes and the development of a multipolar world. It emphasizes convincingly the need for human development and social change in the process of catch up and challenges the reader thereto.

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### **The Tyranny of Experts: Economists, Dictators, and the Forgotten Rights of the Poor**

William Easterly

*New York: Basic Books, 2014, pp. 416, ISBN 978-0-465-03125-2 (hbk), 978-0465089734 (pbk)*

*The Tyranny of Experts* is a powerful analysis of how the foundations of development economics contribute to its lack of success. William Easterly, currently a professor of economics