

The Phenomenal Rise of Asia

Unfolding of Diverse Development Strategies

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This is a monumental piece of work and a great service to the study of the phenomenal economic transformation of Asia that has unfolded over the last half century or so. Understanding this turn in global economic history is particularly important since the continent had suffered a century or more of no economic growth before the 1950s. It is timely too, in view of the greater salience of Asia's role in the global economy today, and the likelihood of this becoming even more prominent in the coming decades as the fulcrum of the global economy does make an epochal move back from the Atlantic Ocean to the Indian Ocean, where it was 200 years ago. I would expect this book to serve as a key resource for the study of Asian resurgence for some time to come.

Asia has emerged as the fastest growing region in the world over this period. This constitutes a major transition from a situation when Asia (excluding Japan), in Deepak Nayyar's words, was "the poorest continent in the world" (p 28). Fifty years ago, this transformation would have been thought of as unimaginable. The general prognosis for the future of Asia was essentially pessimistic.

The Story in Numbers

The book is organised in three relatively distinct parts, each consisting of three chapters. The first three chapters, which provide a detailed account of the growth record of Asia over the past 50 years or so, can be seen to comprise the first part. The starting point is documentation of the initial conditions in which Asia found itself by the 1960s. Nayyar takes pains to elaborate on the incredible downfall of Asia from the early 19th century until the mid-20th century, attributed essentially to the ravages of

Resurgent Asia: Diversity in Development by Deepak Nayyar, *New Delhi: Oxford University Press, 2019; pp xx + 295, ₹895.*

colonialism and imperialism that characterised that whole period. This theme is repeated throughout the book focusing specifically on the deindustrialisation that Asia suffered, particularly because of the immiserating trade policies followed by the imperial powers. The phenomenal rise of Asia over the past 50 years is then documented carefully in terms of key metrics related to the demographic transition, social progress and economic development, while providing detailed comparisons with other parts of the world. Although the book, overall, covers the whole of Asia, a more detailed analytical accounting of country-wise growth is then provided on a disaggregated period-wise basis for what he calls the Asian 14, which include the key East Asian, South East Asian and South Asian countries, and Turkey.

The next set of three chapters comprise the second part of the book, and relate the documented structural change, industrialisation and economic transformation that the Asian 14 went through, with the changing contours of economic policy followed over the years in these countries. Nayyar has four key important points of departure in his interpretation of policy causality that led to the transformation of these countries. First, he notes that in contrast to the traditional view of development policy and structural change proceeding sequentially from agriculture to industry to services, the Asian experience suggests that it was actually a simultaneous move from agriculture to industry and services, in terms of both sectoral shares in gross domestic product (GDP) and employment.¹

Second, he puts forward the view that Asian countries' approach to macroeconomic policy was a much more development-oriented one related to maximising economic growth and employment, rather than conforming to orthodox prescriptions that emphasise macroeconomic stability, balanced budgets, price stability and low debt. He argues that the real issue behind fiscal deficits financed by government borrowing is the allocation of expenditures towards development-oriented programmes and projects that then promote growth and employment. Third, whereas he endorses the objective of economic openness as a growth-supporting strategy, he believes that this is effective only in the presence of government-guided industrial policy. Fourth, in contrast to much of academic opinion with respect to the analysis of Asian growth, he is clear that the economic role of the state as leader, catalyst or supporter was critical to the transformation of Asia. He feels that the debate on government versus market failures is a false one: success is achieved when state and markets complement each other.

Towards a New Asian Century?

The final three chapters comprising the third part of the book are essentially concerned with overall outcomes both within the Asian 14 and across Asia, along with an assessment of the vastly changed position of Asia within the world now and into the future. He finds that the convergence hypothesis is not validated both within countries and across the world, despite the very rapid growth of per capita incomes in Asia as a whole. Inequality has increased particularly within countries. In contemplating the changing role of Asia as its weight increases to at least half of global GDP in the decades to come, he speculates on the need for systemic changes in global governance in order for Asia to have its rightful voice in the world. This is assumed to be of even greater importance today with the pushback by the West, particularly the United States, that is now being launched with respect to China.

Planning and Import Substitution

This is an ambitious book. Nayyar aims to provide

an analytical narrative of this remarkable story of economic development, situated in a historical perspective, and an economic analysis of the underlying factors, with a focus on critical issues in the process of an outcome in development. (p 4)

The book also aims to put the economic transformation process in the context of the influence of different development strategies and economic reforms as they emerged over time, what was well-managed and what was not, and attempts to analyse the factors underlying successes and failures that emerged. Particular attention is given to the age-old debate in development strategy with respect to the relative roles of the state and markets. He has reported faithfully the various contentious debates that have arisen over time, both regarding the substantive content and rationale of economic policy and in the interpretation of outcomes as they occurred.

It is not easy to trace the historical evolution of a complex, large and diverse continent, document it in an analytically rigorous fashion, along with the key changes that have occurred; and find connections of these observed changes in economic performance with economic policy reforms over time, and also relate them to initial conditions. In order to do this Nayyar has successfully assembled a vast quantity of data in digestible form to provide a sound empirical basis to his Asian story. In fact, this invaluable country-wise relatively comprehensive data compilation of the Asian 14 countries in terms of the main indicators of their economic transformation is a major contribution of the book, which would be of immense value to students of development all over the world. I am not aware if such a compilation is available elsewhere in as accessible a form. It would, in fact, be a good idea to provide these tables in a spreadsheet form as a supplement to the soft portion of the book available from UNU-WIDER (United Nations University World Institute for Development Economics Research). The very helpful one-page summaries that are provided at the end of the chapter

constitute another very valuable feature of the book, which will be of great help to the time-constrained general reader. Overall, this is a well-crafted book.

East Asia vs South Asia

What more could I have wished for? The first is the relative neglect of health and education policies that enabled the most successful Asian countries, starting with Japan and followed by South Korea and Taiwan, and to some extent the ASEAN countries as well, to build human capital of high quality very early. This is surprising since these features are well-covered in detailed chapters in the companion volume of this book (Nayyar 2019). For example, Korean literacy had reached almost 100% by 1980, Chinese about 65%, whereas Indian literacy was still only 44% at that time, a level exceeded in South Korea even before 1950. Parallel comparisons can be made for various health indicators with similar results. Would the other, generally most touted policies that promoted industrialisation and export of competitive manufactured products in Asia have been successful without the achievement of almost universal literacy and health quality very early? This is in particular contrast to the record of South Asian countries, which have come

to the growth party late and possibly not in a sustainable fashion because of continuing handicaps in the quality of their human capital. One is left wondering as to what were the societal, political and policy conditions that led to these contrasting outcomes? This is particularly curious since one might have expected greater attention to human development in democratic countries like India.

Second, there is a similar neglect of agricultural development and the different strategies adopted in the Asian 14 covered. Nayyar does well to draw attention to the very early land reforms carried out in Korea and Taiwan, and earlier in Japan, and of course in China in a very different way. The rapid industrialisation achieved in East and (to a lesser extent in) South East Asia was enabled for corresponding progress made in agricultural productivity. Once again, South Asia lagged behind despite land labour ratios that were not very different. One would have liked a more detailed treatment of agricultural development as they progressed in Asia through the development process, in terms of both policy and technology.

Third, continuing on the same issue, East and South East Asia have clearly exhibited very different growth and

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development records in contrast with South Asia over the whole period documented in this book. In view of his very careful data and analytical work, it would have been very illuminating if Nayyar had used his considerable expository powers, and combination of his academic and policy experience, to provide a good explanation of these very contrasting experiences. As documented by him, the initial conditions were perhaps not that different. What was it in the political, academic and bureaucratic apparatus in South Asia that led to the slow change towards a more market-oriented outward looking policy framework, more than 20 years after such changes had become the norm in East and South East Asia? Why was it that even the Chinese Communist Party's bureaucratic apparatus was much quicker to change than the open political, social and academic system that characterises India?

Fourth, the key issue that has governed the debate on understanding the incredible growth achievement of Asia, particularly East and South East Asia, has revolved around the relative roles of market and the government in guiding the phenomenal transformation experienced. I have general agreement with Nayyar on his view that the government was effective in guiding the development process experienced, both in the early

stages of the import substitution phase, and later in the promotion of manufactured exports. However, I would have liked better explanations of why governmental and institutional structures worked in these countries, and were adapted constantly with changing circumstances and stages of development, even in China, and not in South Asia and perhaps in other parts of the world. What was it in these countries that enabled bureaucracies as well as politicians to understand that, as he says, markets and governments complement each other? How and why was it that this balance was achieved in an appropriate fashion relative to other countries and regions? Were their bureaucracies more technocratic and meritocratic? Were their leaders also more enlightened than their counterparts?

Fifth, a minor quibble. In principle, the book has covered the whole of Asia including West Asia. However, much of the work is really concerned with the success of East and South East Asia, including China, and to a somewhat lesser extent South Asia. Although Turkey is included in the Asian 14 there is very little discussion on what transpired there. The book would probably have gained if it had completely excluded West Asia, including Turkey. In fact, that would have simplified Nayyar's task in putting together this book.

Sixth, although the compilation of detailed tables provided in the book are a major strength as I have noted, the repetition of numbers in the text could have been avoided while drawing the major conclusions that arise from the tables.

Overall, along with its edited companion volume, this is a magisterial piece of work devoted to understanding the most remarkable economic transformation that the world has experienced in all of human history. It is truly comprehensive, intensively researched, balanced, insightful, and backed by well-chosen data.

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NOTE

- 1 Coincidentally, my own PhD dissertation made the same point in a computable dynamic general equilibrium framework for India (Mohan 1977, 1984).

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