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BOOK REVIEW

Resurgent Asia: Diversity in Development

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Following his well-received book *Catch Up* (OUP, 2013; reviewed in *JHDC*, 16, 2–3, pp. 468–469), Deepak Nayyar concentrates in this book on Asia's remarkable development over the last 50 years. Nayyar uses as a starting point Gunnar Myrdal's well-known 1969 book *Asian Drama*, which had a gloomy prospect of Asia's development. Nayyar's book, while acknowledging some of Myrdal's strengths, proves his gloomy prospects wrong. It provides a well-thought analytical narrative of Asia's incredible economic development, placed in a wider context of its historical, political and social developments. Asia's share of world GDP declined from the mid-seventeenth century, caused by increasing dominance of the west, but picked up again phenomenally over the last 50 years. It rose from less than one-tenth to three-tenths, while its per capita growth surpassed that of developing countries and converged towards the world average income level. East Asia was the leader and South Asia was the laggard, with Southeast Asia in the middle while progress in West Asia did not match its high-income levels.

What was the cause of Asia's resurgence? Nayyar, to contextualise its impressive structural transformation, looks at Asia's development from not less than six different, but still related angles: macroeconomics of growth; structural change and economic transformation; openness and industrialisation; markets, governments and politics; unequal outcomes for countries and people; as well as Asian development and the world economy.

As to the *macroeconomics of growth*, Nayyar sees China as the star performer throughout. Growth rates of GDP per capita were also high in South Korea, Taiwan, Singapore, Indonesia, Malaysia and Thailand early on but slowed down significantly after 1991, whereas growth rates were initially lower in India, Vietnam and Bangladesh but were much higher later. In comparison, the growth performance of Sri Lanka was respectable, while that of Turkey was average, but that of Philippines and Pakistan was poor. In countries with impressive growth, rapidly rising investment and savings were the main drivers of growth on the supply side. Education was also a sustained driver of growth in successful countries. From the demand side, growth in most countries was primarily private-consumption-expenditure led and investment led. The interaction between the supply side and the demand side suggests to Nayyar a virtuous circle of cumulative causation, where rapid investment growth *coincided in time* with rapid export growth, leading to rapid GDP growth. Furthermore, many Asian countries did not follow orthodox prescriptions of balanced budgets and price stability for macroeconomic management. In the process of structural transformation, *economic growth drove structural change from the demand-side* as incomes rose and production activities followed, while *structural change drove economic growth from the supply-side* as labour moved from low-productivity to higher productivity activities. Yet, apart from South Korea, Taiwan, Singapore and

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perhaps Malaysia, Nayyar sees the process of structural transformation in Asia as uneven and incomplete. The transformation of the agricultural sector remains incomplete in China, and even more so in Southeast Asia, while South Asia has a considerable distance to traverse. There is also much less progress in manufacturing for industrialisation, particularly in South Asia, while industrial dynamism has waned in Southeast Asia. The services sector has led economic growth so far in several countries but this, Nayyar argues, might not be sustainable, as structural transformation cannot be completed if one of the three sectors is a weak link in the chain. *Economic openness* has performed a critical supportive role in the process of structural transformation, but only wherever it has been in the form of strategic integration with the world economy. However, *openness was not sufficient*. It was only conducive to industrialisation when combined with industrial policy as in South Korea, Taiwan and Singapore. The more recent success stories in China and Vietnam used industrial policy in a very different context. The industrial dynamism of Indonesia, Malaysia and Thailand waned after the Asian financial crisis. India lagged behind the leaders, because industrial policy was poorly implemented or was simply not used. Indeed, success at development in Asia was about managing an evolving *relationship between states and markets*, by finding the right balance in their respective roles, which also changed over time.

Nayyar emphasises that rising per capita incomes and improving social indicators were related and that the *causation ran in both directions: social progress for people and economic development can reinforce each other in a virtuous circle*. By 2016, in Singapore, South Korea, Taiwan, Turkey, Malaysia and China, infant mortality rates were single-digit, life expectancy was over 75 years and adult literacy rates were over 95. Thailand and Sri Lanka came close, despite lower income levels. Indonesia and Philippines, at similar income levels, did not make as much progress, except in adult literacy rates. Vietnam at a distinctly lower income level fared better. India, Bangladesh and Pakistan were the laggards in terms of all three social indicators, with Pakistan doing the worst. Although several Asian countries started their remarkable development with a more equal *distribution of incomes*, rapid economic growth in Asia became associated with greater income inequality. Rapid growth led to a substantial reduction in absolute poverty that could have been much greater, were it not for the rising inequality. Consequently, the absolute number of poor remains large, while the number of vulnerable people even rose to over a billion.

This remarkable but often still incomplete progress in the multiple aspects of Asia's development begs of course the question of how future developments will unfold. Nayyar in his typical open and non-ideological approach cautions against extrapolation of past successes and describes succinctly the challenges Asia is facing: those of persistent poverty, of rising inequality and of jobless growth, but also those of a middle-income trap, especially where changes to technological development are not juxtaposed with changes in social policies. Further challenges are how people and the state interact as well as how countries are dealing with increased international tensions and declining multilateralism. Also, in tackling these challenges Nayyar shows again analytical rigour and self-constraint in not making unsubstantiated statements and projections but gives the reader clear insights for reflection, from which they will only profit.

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