

Subaltern Economics 101

Written by Subhomoy Bhattacharjee | December 21, 2013 5:04 am

Book: Catch Up

Author: Deepak Nayyar

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Even in the Nineties, it was possible to think of the developing world as isolated clumps of development in a sea of poverty. But the picture has changed so rapidly since then that no one nomenclature can describe the variety of experiences of this group. The list of countries that now comprise the developing world is highly volatile. For instance, Italy can walk into it and South Korea out of it. It is, however, intriguing to discover with Deepak Nayyar that the classification can still enable serious analysis.

Possibly the best test for a non-fiction book is whether the author is able to summarize it in a sentence. This is a book about economics where history matters is how Nayyar describes his work and *Catch Up* is exactly that. It is a subaltern view of the world economy, if one could apply the term loosely. Nayyar examines the journey of the world economy, narrated from the point of view of today's developing economies. The destination is well known but what the reader enjoys is the richness of treatment.

By 2050, a group of 14 developing economies will determine the world economic order, Nayyar says. He trawls economic literature to analyze the trends in GDP, industrialization and trade and investment flows in the last 200 years. If the 19th century could be classified as an era of repression of economic growth in Asia, Africa and even Latin America, to keep the momentum going for Europe, the 20th century and the present one tells the story of catching up.

Nayyar shows that globalization and the attendant liberalization of trade barriers did not benefit countries which opened up their economies all the way but rather, late adopters. This is an interesting departure from Joseph Stiglitz, who suggests that globalization has always harmed economies. The development experience within countries was also an uneven mix of success and failure. Thus, prescriptive generalizations based on the presumption that one size fits all, which ignored ...the specificities of economies in time and space, often bordered on the simplistic.

Nayyar shows that while import substitution by the developing countries helped them to gather speed, making possible an industrial surge, they later benefited from globalization too. Export of manufactured products from these countries worked back to make domestic industries competitive while globalization allowed for integration into the global value chain.

For all this to succeed, correct timing is crucial. The state's ability to switch on and off between providing support when needed and withdrawing when industry needs to compete in the markets is vital, says Nayyar. However, he does not explain how it is possible for an underdeveloped state with a weak signaling system and an even weaker bureaucracy to learn the right lessons to drive growth successfully. He also has little to say on the role of institutions, which is something the book could do with.

The author, of course, takes a risk in trying to identify the 14 economies as the stars of the future. Possibly, instead of just following the data, he lets his sense of fairness dictate the list. For instance, Egypt is a difficult choice (Nayyar made his selection in 2010) to agree with. Yet, this is a book that fills a space on development that few others have managed to cover in recent years.