The great divergence

Catch Up: Developing Countries and the World Economy
By Deepak Nayyar

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The subtext matter of Deepak Nayyar’s new book, Catch Up, is almost as old as the science of economics itself. It is the perennial hunt for answers to one question: How did Europe, a relatively small, and relatively not very hospitable, part of the world, and its offshoots – the British, – get to rule the world economy for more than two centuries? Now why did that dominance end so suddenly in just 50 years after the decade of the 1970s? Economic historians, and Marxist automation and its attendant answers to the first question, for the home part of a century, has been the global capitalisation – globalization for short – means the middle phase of its development and the sun begins to set upon the nation-state, it is the second that has gained valence. And this has begun a renewed quest for answers amongst a growing legion of liberal economists as well.

Nayyar’s book does not so much try to answer these questions as to survey, succinctly, the vast recent literature on the subject. As he himself emphasized during a recent book launch in New Delhi, the purpose in writing it was to synthesise current knowledge into a readable account of the way in which the world has changed, and is changing again, during the last two and a half decades. He has done all this with extraordinary skill and a lightness that renders the book easy to read.

Catch Up begins (as every book on this topic must do) with the modernization of the British economy under the impact of the Industrial Revolution. Britain was the engine of the Great Divergence. As the author points out, “it was the enormous burst of productivity pushed by the Industrial Revolution that it was caused by a combination of three factors: culture, institutions and geography. The geographical argument looks in the end to climate and proximate to markets. People living in cool-temperate climates with very cold winters enjoyed a distinct advantage over the rest because the cold winters put a check on the productivity of the great divergence.

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central place in their argument that the Great Divergence was not a product of war, conquest and a forcible de-industrialization of Asia and parts of Africa and South America that Europe and the United States enjoyed.”

Nayyar’s book is “How did Asia – China and India in particular – which dominated world production and trade for millennia, sink so suddenly into poverty and obscurity within barely a century and a half, between 1820 and 1920 and 1950?” Nothing could be further from the truth, or more self-serving, than the liberal economists’ hypothesis. A thorough discussion of the role that technology has played in shaping the world economy – what Braudel called the “container of capitalism” – the immense size of market needed to accommodate an efficient production system and creating a global production system at the existing level of technology. The expansion of capitalism’s container was dictated by the progress of technology. The Great Divergence began not with the Industrial Revolution in Europe, but with the harnessing of steam power, coal and iron ore from the Baltic and the North Sea – also facilitated by the Baltic, and the North Sea – also facilitated by the

Great Divergence coincided with the rise of the nation-state, and the remorseless expansion of what Braudel called the “container of capitalism” – the minimum size of market needed to accommodate an efficient production system and creating a global production system at the existing level of technology. The expansion of capitalism’s container was dictated by the progress of technology. The Great Divergence began not with the Industrial Revolution in Europe, but with the harnessing of steam power, coal and iron ore from the Baltic, and the North Sea – also facilitated by the geographical argument boils down in the end to climate and proximate to markets. People living in cool-temperate climates with very cold winters enjoyed a distinct advantage over the rest because the cold winters put a check on the productivity of the great divergence.

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