

BOOK REVIEWS

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***The Dynamics of Economic Growth: Policy Insights from Comparative Analyses in Asia.* By Vu Minh Khuong.** Cheltenham: Edward Elgar, 2013. Ppp. 262.

Understanding the Asian growth miracle has been a subject of intense discussion in the economic growth literature for over three decades. While several propositions have been put forward in the literature, a consensus has yet to be achieved among economists as to the sources of growth in the broader Asian region.

With the debate largely unsettled to this day, Vu Minh Khuong's book is the most recent addition to the traditional neoclassical literature identifying sources of growth in developing Asia and contains some refreshing policy insights. As the author emphasizes, the surprising emergence of the region, the speed with which many economies have grown, combined with the scale of economic success in terms of growth patterns and development models, make Asia a remarkable case study. Further, the author posits that "sustained high economic growth is not a mechanical procedure but a transformational process" (p. 14) and holds that the Asian region's success in achieving this transformation can be attributed to two central driving forces namely "emotion and enlightenment, especially its leadership" (pp. 7–9). He reckons that most nations engaged in the "catch-up" phenomenon do not have these two Es (emotion and enlightenment) and hence will benefit from a deeper understanding of how several economies in the Asian region managed to succeed in their own "catch-up" endeavour.

This book analyses the economic performance and growth patterns of sixteen Asian economies.

There are four sub-groups of economies in Asia that the book focuses on: (i) the two economic giants — China and India; (ii) the four Asian tiger economies of Hong Kong, Singapore, South Korea and Taiwan; (iii) six Southeast Asian countries — Cambodia, Indonesia, Malaysia, the Philippines, Thailand and Vietnam; (iv) and four South Asian countries — Bangladesh, Nepal, Pakistan and Sri Lanka.

Despite the relevance of its topic of focus, there are some areas that could have been better addressed in the book. Although it contains four substantive chapters (excluding the Introduction), Chapters 2 and 3 offer largely descriptive overviews of the performance and the emergence of the sixteen Asian economies in global catch-up dynamics. Chapter 3, in particular, appears to consume a disproportionate amount of space — nearly a third of the book is dedicated to describing the trends in macroeconomic aggregates capturing the rise of the Asian region. While an empirical analysis is valuable, at minimum, a critical discussion of the observed trends would have provided some context to the copious amounts of descriptive statistics found in this chapter.

Chapter 4 is the most important chapter and dives right into identifying the sources of economic growth in developing Asia. By employing the neoclassical accounting framework, it disaggregates sources of growth into capital and labour inputs as well as total factor productivity (TFP) growth. While the painstaking collation and use of the Conference Board's Total Economy Database (TED) for a relatively large sample of economies is a notable contribution in Chapter 4, the sample period covers only 1990 to 2010. Considering that the "East Asian Miracle" broadly refers to the

period of sustained high growth experienced by East Asian economies since the 1970s, expanding the data sample — by including the 1980s for example — would have been useful.

The empirical results of the chapter conclude that capital accumulation was the “largest source” of GDP growth in most of the countries in developing Asia over the sample period, followed by TFP growth and finally, labour productivity growth driven by capital deepening (pp. 12; 185–86). These findings could have been reiterated if the author had conducted some robustness checks given that TFP after all captures a part of growth that cannot be attributed to inputs.

One of the notable omissions of the book is the lack of discussion on the existing empirical literature to date. Considering that there is a voluminous amount of work that has been dedicated to understanding economic growth patterns and sources in Asia (which the author rightly acknowledges in the introduction), an effort could have been made to critique some of the existing work, and discuss methodological variations and key findings, as well as how exactly the book differs from and adds value to this literature.

The final chapter of this book makes a refreshing contribution to the literature by proposing a strategic policy framework. The “catch-up” policy framework, based on the growth experience of the Asian economies, is illustrated specifically using India and China as models for other lower- and middle-income economies to emulate. The author argues that “the secret of successful economies lies not in achieving high TFP growth but in sustaining reasonable TFP growth despite the intensive mobilization of factor inputs over extended periods” (p. 242). Exploring this theme further, the chapter discusses how Asian economies have managed to sustain high marginal products of capital through embracing a strategic policy framework grounded on three fundamental pillars. The first of these pillars pertains to “exploiting the backwardness advantage”, which refers to the efforts taken by the Asian economies to embrace market-oriented economic reforms, encourage trade openness and foreign direct investments

(FDI). The second strategy focuses on enhancing and “upgrading” their “absorptive capability”, each of which relate to capacity building and human capital formation in the economy. The final dimension of the policy framework proposes “creating favourable conditions for investment, structural change and efficiency improvements” which highlights the need to provide a conducive environment to benefit from reforms. The author also emphasizes how the government played an important role in facilitating this process of transformation.

However, the policy prescriptions (pp. 202–10) are too general and more specificity would have been helpful to readers. Despite the emphasis on the need to maintain a conducive investment climate to encourage FDI, there is very little discussion on the role of capital flows in general, and FDI in particular, and how each of these contribute to the growth stories of these economies. In addition, using China and India as case studies to illustrate the relative success of the “catch-up” policy framework would have been much more effective if the factors constraining growth in these economies were also discussed in greater detail.

Notwithstanding the above issues and concerns, this book is an easy read, carefully researched and is likely to be useful for policy-makers, researchers and students interested in the Asian growth story.

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