

### **Book Review**

Mohan L. Lakhera, *Economic Growth in Developing Countries: Structural Transformation, manufacturing and Transport Infrastructure*, Palgrave Macmillan, 2016, pp. 263, Price not given.

This book is a systematic exposition of the growth experience with special reference to the developing and developed economies of Asia. It is a piece of academic excellence and will be helpful for the professional economists working on developing countries. Though situated in similar geographical set up, growth experiences of individual countries are far from similar, which points out the differential institutional treatment in channeling wide economic advantages in reality. It is an attempt to figure out the underlying reasons for such distinct diversities. In doing so, it explores and identifies the process of structural transformation through theoretical underpinning corroborated by empirical evidences. The author has given a critical review of productivity performances through empirical estimates of total factor productivity growth both in terms of manufacturing as well as transport infrastructure.

The second chapter of the book starts with a description of the growth and inequality theories. Analysis of both the Japanese industrial development model and Korean–Taiwanese model highlights the importance of technological innovation, investment in R & D, institutional capabilities and governance for making the growth work. Further, he opined that greater requirement of investment in human capital, infrastructure and reform of institutions are required in achieving sustainability in growth experience in developing countries.

In the next chapter the author has furnished an excellent review of the growth profile of China and India. China has followed gradualist and comprehensive approach and India, on the other hand, has followed a hesitant approach which is reflected in the disillusioned performance of the manufacturing sector. Like many other developing countries of South Asia, India could not take the advantage of the globalized world due to lack of policies and could only transform itself to a primarily agricultural based country to a low productivity service sector economy. While the theoretical basis of industrialization through setting up of heavy industry were the same in India and China, the latter progressed steadily with labour intensive exports and massive industrial transformation with broad based technological capabilities in taking advantage of economies of scale. However, the pace of structural transformation between these two billion plus economies is different. China's GDP share of industry which was 48 per cent in 1978 increased to 60 per cent in 2010, while India, on the other hand, could only increase its share by mere four percentage points to 28 per cent. India has also registered a decline in growth rates of value added and employment and output elasticity of employment in the manufacturing

sector during the post-reform period as compared to the pre-reform period. This failure would be attributed to the inability of the manufacturing sector to adapt to the changing circumstances and to deal with the complexity of world industry. This is coupled with a severe technology gap and a fallout of the import substitution strategy. The author has also raised concerns over low productivity in the manufacturing sector in India. One characteristic that has emerged out of the comparative study is high productivity growth in import competing industries while export oriented labour intensive industries are lacking in productivity. He also marked the negative effect of high cost of transportation in developing countries due to the lack of strategic planning in infrastructure development.

The book discusses the endogenous growth mechanism and importance of institutional development for sustenance of growth. Economic growth has its bearing on capital accumulation and development of human capital. It critically examines the successive stages of development and differences in the length of transition that different countries have taken. Two pertinent questions have been in this context (i) the role of manufacturing sector as a driver of economic growth in South Asian Economies, and (ii) feasibility of high productivity service sector development as means of growth sustenance in economies where abundance of labour is the main source of comparative advantage. It is important to understand the complex process for pursuing growth with sustenance, particularly by the developing countries and this book is useful in understanding those nuances.

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