On “Great Divergence” and “Great Convergence”


The author of this interesting and thought-provoking book Vladimir Popov is a prominent Russian economist, an Advisor in the Department of Economic and Social Affairs of the United Nations (New York), and a Professor Emeritus at the New Economic School (Moscow).

The book is the result of many years of his consistent research and logical summary of the main original findings, early versions of which were published widely and became well-known internationally. Its goal, formulated by the author in the introduction, “is to provide a non-technical interpretation of the ‘Great Divergence’ and ‘Great Convergence’ stories” between the West and other parts of the world between 1500–1950 and beyond.

In the first two chapters, Popov posed two major questions. How and why did the West become rich first? Why have some developing countries been in catch-up mode, but others have not? Based on the analysis of different viewpoints on this matter, he presents his own original explanations, that the West became rich due to radical dismantling of traditional community that led to the social differentiation and “income redistribution in favor of savings and investment at the expense of consumption.”

Attempts to catch up via forced or voluntary Westernization scenarios in the majority of developing countries (Latin America, Sub-Saharan Africa), or in the Russian Empire, according to Popov, failed. The destruction of community institutions dramatically increased income disparity that offset the new economic opportunities, and did not lead them to a trajectory necessary for catching-up development. Whereas East Asian countries managed to retain their traditional institutions that enabled some of them to show dynamic economic growth that led to the chain of miracles of catching up with the West.

Chapters 3 and 4 are devoted to the comparative analysis of two giants as regards territory and population: Russia and China. The author studies the differences in their institutional and economic development from long- and short-term perspectives. Special focus is placed on the stages of classical socialism and market reforms. The main question here is why the outcomes of transformation are so different: deep recession in Russia and fast acceleration in China? Socialism, according to Popov, in both countries “contributed to the restoration of the collectivist institutions” diminishing income disparities and strengthening the states’ institutional capacity. However, as argued in his book, the centrally-planned economy may only be viable for 25–30 years since emphasis on new investments and extensive growth was inseparable from its economic model. Without efficient replacement of retiring fixed capital stock, intensification of production had become nothing more than wishful thinking.

The former Soviet Union (FSU), after several decades of high growth, reached second position in the world but faced such problems in the 1960s. Three decades later a delayed attempt to reverse the country onto the right institutional trajectory failed. “Shock therapy” market reforms in the 1990s, greatly worsened the situation as exemplified by “inequalities, corruption, crime, and the shadow economy.”

Unlike the FSU, China since 1979 has undergone gradual transformation and so far managed to preserve its political system as well as “Asian values” based institu-
tions. The exceptional institutional continuity with the right strategy of transformation
and export-oriented industrial policy (as in Japan and some other East Asian states in
the era of their dynamic growth) has provided impressive results in China too.

Therefore, the author of the book stresses that various institutional trajectories led
to different outcomes in Russia and China. Here it is possible to add that the adequacy
of the selected methods of reforms to their initial conditions and the stages of develop-
ment also play a role.

Chapter 5 deals with theoretical analysis of the causes of growth miracles and fail-
ures in order to learn lessons with far-reaching implications for development econom-
ics. The author notes, that the theories of economic development of the second half of
the twentieth century did not greatly contribute to “manufacturing” of the East Asian
miracle. On the other hand, the policies the West recommended to the South and the
former East aggravated, rather than supported, their catch-up development.

Under these circumstances, the logical way out was to switch to a new paradigm
for development theory and policy advice, that enables decision-makers depending
on the stage of their development to use tailor-made policy prescriptions and to avoid
the traps of development, transformation and globalization à la successful East Asian
countries.¹

In the Conclusion, Popov evaluates the opportunities for China to sustain its eco-
nomic growth and become a leading superpower, as well as the strengths and weak-
nesses of the Russian economy and its prospects. He also suggests that the lessons
learned from successful East Asian experiences should provide the foundation for the
emerging theory of stages of development and practice of policy advice. The author
hopes that by using such policies not only the South Asian, Middle Eastern and North
African Islamic countries, that are, in his opinion, more ready to follow the Chinese
model but, “eventually, Latin America, Sub-Saharan Africa and Russia will catch up
as well.”

Forecasting is always risky, but my comments to Popov’s projections are as follows:

¹ Now, when most Middle Eastern and North African states are in strife because of
war and internal turmoil, despite good institutional preconditions, it will be diffi-
cult for most of them to catch up in the immediate future. To forecast the situation
in South Asian, Latin American and, especially, Sub-Saharan African states also
requires special country-based case studies.

² Russia’s relative success achieved by the year 2012, will be difficult to sustain in
the immediate years as well, especially, under conditions of low oil prices and
economic sanctions. However, it has great potential to revive, as it had done twice
in the twentieth century. Success could be repeated in the twenty-first century not
just because of its rich natural resources, but also its human and social capital,
and above all the “Russian character.” History has shown that in the most diffi-
cult times, Russians can mobilize and unite their forces to provide a new break-
through to catch up.

³ As Popov warns, China’s “rapid increase in income inequality since 1985 could

¹ Similar ideas have been developed by the reviewer for more than two and half decades.
See, for example, B. Islamov, The Central Asian States Ten Years After: How to Overcome Traps
be a factor leading to a weakening of collectivist institutions,” that impedes fast economic growth. The recent rapid increase in the number of billionaires in China (in 2011, it surpassed the number of billionaires in Russia, and acquired second place after the USA), political rivalry, corruption among top government officials, problems in the Chinese stock and the exchange rates markets in 2015 require more careful study of the new processes in its development.

However, no matter what happens in the future with political and economic developments in China, there are already important lessons of significant catch-up by a state that had non-market initial conditions. In this respect, it is a pity that the book lacks an analysis of other Post-Soviet countries apart from Russia. However, Popov does have publications on the “economic miracle” in the FSU and analysis of the case of Uzbekistan that supports the main ideas of his book under consideration.² These points are not criticisms but suggestions that can be taken into account.

As a whole, the book represents an important contribution to the comparative analysis of the world economic systems, as well as to the economics of development and transition.

Bakhtiyor Islamov

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