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Hasan Gürak, *Economic Growth and Development: Theories, Criticisms and an Alternative Growth Model*, Peter Lang GmbH, 2015, 258 pp. $72 Hardcover.

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Abstract. New ideas in the social sciences, naturally including economics, have to fulfill four major conditions. They must be: 1- Logical, 2-Consistent, 3-Explanatory and 4-Testable. There are many economic theories containing all of the above features; and most of them belong to the mainstream ideology, i.e. the neoclassical theories/models. As a matter of fact, at present, almost all economic theories/models are of Western origin. Yet, these dominant economic theories/models are, to a large extent, a part of a "grand parable". They are no doubt logical, consistent and even explanatory in many ways, but when tested for their relevance to real economic situations, they fail to correctly explain the normal economic transactions. In other words, those theories/models which are dominant today only are successful in explaining "a fictional world" and "fictional economic relationships" which are largely based upon unrealistic assumptions. The assumptions of "perfect competition" alone are sufficient to reject the neoclassical theories/models as highly fictitious and unrealistic. One does not have to be an expert in the field of economics to realize these shortcomings. It is high time to produce "new and alternative" theories and models to replace the "parables" of these mainstream ideologies. I hope that this book will appeal to open minded economists the world over, as a constructive contribution for the further development of "new and alternative economic ideas".
Keywords. Economic Growth; Economic Theories/Models; An Alternative Growth Model; Productivity; Productivity Increase; Short-run Growth in the Real Sector; Long-run Growth in the Real sector; Service Sector; Development; Income Distribution..
JEL. A1, A2, E1, E2, E6, O1, O3, O4.

1. Introduction

The book that consists of 240 pages including the bibliography and contains the following sections and chapters; *The Foreword:* This contains a few brief remarks regarding the philosophy of science and philosophy of economics. The remarks are, in principle, both relevant and appropriate in terms of the "general principles" with regard to science, the science of economics, the nature of science as well as the duties of a scientist. The author's remarks underline that "neoclassical economics" which is widely acknowledged as the school that economics seems to represent, is, in fact, a more "ideological model" than a true scientific and realistic basis for economics and, in fact, favors the "dominant classes" in the society.

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The Introduction contains the basic aims of the book along with the definition of key concepts. The author defines the main purpose as follows:

> “The purpose of this study is to demonstrate that the "cause(s)" of long-run growth is "technological progress" which is the product of “creative” mental labor. The higher the "quality of labor" (human capital) becomes, the higher the potential to introduce new technology, given an appropriate cultural, institutional, educational and technological infrastructure.”.

In addition, functional income distribution, institutions, employment and population growth should be analyzed in conjunction with the growth process.
The growth process in practice should be divided and analyzed in two categories as “long-run” and “short-run” growth based on concepts such as “efficiency growth” and “technological progress”.

One of the main targets of the book is to present a “new and alternative” theory of growth. Though the “new and alternative” theory contains many familiar features, it also can be distinguished from existing theories in several aspects displaying “new” features developed in this “new and alternative” theory.

Section-1 introduces some general information on growth.

Section-2 introduces some key concepts of growth such as “productivity”, “productivity increase e.g., “growth” and the measurement of productivity. These concepts are critically important in the understanding of these “new” ideas and the alternative approaches which are presented in the analysis.

Section-3 outlines the “Classical” theories of growth by A. Smith, Ricardo, and Marx.

Section-4 deals with more up to date theories in regard to growth. For example, neoclassical models are studied in two periods; pre and post Solow.

Section-5 which is the “essence” of the book presents and discusses an “alternative growth model”.

Section-6 presents a realistic short-run growth analysis.

Section-7 presents a long-run growth analysis in the “real” economy.

Section-8 presents a realistic analysis of growth in the “service-sector”.

Section-9 How technological progress and growth effects the functional and global income distribution will be the subject of this part.

Section-10 presents a proposal for improvement in the global growth and development of nations, which is expected to help the convergence of the global income gap.

Section-11 contains an Epilogue and three suggestions with global impacts.

The bibliography shows clearly that the literature concerned has been studied extensively from the time of the Classical economists to the early 2010s, which enables the reader to make a scientific evaluation of all the major theories of growth with their pro's and con's.

The method used in the first four Sections is a critical discussion of present economic growth theories. In the following three Sections, the author attempts to introduce his “new and alternative” ideas to the theory of growth. These “new and alternative” ideas with their forceful and realistic insights may spread the seeds which will enrich the intellectual ground of economic growth theories.

2. The primary motive for writing the book

As the author stated in the Preface;

> “…most of the economic growth theories belong to the mainstream ideology, i.e. the neoclassical theories/models. As a matter of fact, at present, almost all economic theories/models are of Anglo-Saxon origin. Yet, these dominant economic theories/models are, to a large extent, a part of the “grand parable”. The assumption of “perfect competition” alone is sufficient to reject the

> neoclassical theories/models as highly fictitious and unrealistic. One does not have to be an expert in the field of economics to realize these shortcomings."

However, a magical "invisible hand" or rather the "ideological power controlling the invisible hand" seems to be successful in convincing a large number of economists on the scientific nature (!) and uniqueness of neoclassical theories/models. The very first things taught to the students of economics are the conditions of perfect competition.

After having stated: "*It is high time to produce "new and alternative" theories and models to replace the "parables" of these mainstream ideologies."* The author continues: *"I hope that this book will appeal to open minded economists the world over, as a constructive contribution for the further development of "new economic ideas".*

In other words the author calls upon his colleagues to cooperate in developing authentic "new and alternative" theories: A profound and noble motive which clearly reveals the author's main purpose.

3. Critical Evaluations of: "Economic Growth and Development"

In this section, we shall proceed with comments, evaluations, criticism and suggestions wherever considered necessary by giving the page numbers of the book.

"An alternative growth model" presented in Section-5 is consistent, constructive and enlightening. However, it seems like it would probably be more comprehensive and enlightening if the related Sections 6 and 7 were presented in Section-5. That's because; Sections 6 and 7 on "short- and long-run growth in real sectors" successively are, in principle, the natural extensions of the "alternative" growth model presented in Section-5. They just contain a more detailed analysis which belonging to the "alternative" model.

The main purpose of the book is clearly stated on page-16**.** Let's recall it in author's own words:

> "The purpose of this study is to demonstrate that the "cause(s)" of long-run growth is "technological progress" which is the product of "creative" mental labor. The higher the "quality of labor" (human capital) becomes, the higher the potential to introduce new technology, given an appropriate cultural, institutional and technological infrastructure. "

The analysis of "Growth in the Service Sector" is a unique part of the book as most growth analyses refer to the industrial sector. Therefore, the reader should expect to encounter both a new and authentic analysis and comments.

As can be concluded from the statements above, the book introduces not only conceptual but also methodological innovation to well-known issues.

On page-19 the author explains how his approach differs from that of the "other" economists as follows:

> "…the author of this book is in no way claiming to be superior in any way to any other economist in terms of his understanding or his natural talents with regard to economic matters. On the contrary, many economists have already proved by their contributions that they are smarter and more creative than the author in many ways. However, a large percentage of them have the disadvantage of not having any practical experience in actual economic relationships. They, in general, learn their economic knowledge from text-books and then create imaginary relationships flavored heavily by the Anglo-Saxon ideology. In other words, because of their lack of ability to think experientially they seem to be at the starting gate."

According to the author, the main difference between him and the "others" is the 20 years of experience in the real economic sector, especially in the Global business network. This practical advantage, he claims, is invaluable and cannot be learned from text-books. It is difficult to challenge him on this view. And he continues:

> "*If a person considers that text-book learning is sufficient in the mastering of any branch of science, in the making of analyses and predictions, then that person is making a major mistake and should not be allowed to make decisions that affect the lives of millions of people*."

To support his argument of being "different" in interpreting the economic issues, the author presents an example with reference to Solow. On page-20, he says:

> "Let's consider Solow's contribution: what is ordinary information for the practicing business people, i.e. the role of technological progress in growth and competition, was only "re-discovered" by him in the 1950s. Moreover, Solow's model could not give us a hint on the origin of technological progress. It was assumed to drop into the economy as "manna from heaven". Yet, for experienced people, technological progress has always been there; as an "endogenous" not an exogenous factor, as he suggested."

Section-1 of the book studies the growth process worldwide making comparisons of growth performances starting with the 1700s. The dialectical use of data in this section clearly displays the unequal growth process and the growing income gap between countries. The use of literature and comparative data up to 2014 displays how keen the author is on being up-to-date. The trend of growing gap in income is highly relevant.

Onpage-26the author quotes definitions of growth from various economists. His own definition is as follows: "…*the change in added value (VA), per worker and per unit of time*."

Naturally, his definition is also subject to criticism and discussion, like all other definitions. In my opinion, the most appropriate definition that is most suitable to the analysis in his book is the one made by Lipsey who defines growth as: "… *long-run changes in the per capita factor productivity*." (Lipsey,et.al; 1990; 333). That's because; the author himself makes a long-run analysis based on productivity changes.

In the rest of *Section-1* the author argues that the dynamics of growth are not primarily based on the "savings equals investment" fallacy but mainly on the quality of labor-force, technological progress, the price and quality of the competitive products, tax and income policy, global operations and the interests of the globally operating firms, etc. This way the author shows the reader where to search for the dynamics of growth in real economies.

The author believes that the true source of long-run growth is the "creative mental labor" of human beings, a thesis supported by quotations from Drucker and Toffler. This emphasis seems quite appropriate. The "creative mental labor" develops new technologies which in its turn increases per capita productivity which, in the end implies productivity based growth in the long-run.

It would be rather useful and interesting for the reader if the author went into a deeper analysis showing the interdependence between "creative mental labor" and related fields such as engineering, science and arts. Or, to investigate how the political system or political relations are influenced by "creative mental labor"? For instance, it would be interesting to find out why the Soviet Union had developed technologies in certain areas while lagging far behind in others.

The author clearly indicates his preference in using the concept of the "quality of labor or laborer" instead of the widely used concept "human capital" in his analysis which is, in my opinion, a positive contribution to economics science. On the other hand, he emphasizes that there is no such thing as "unqualified" labor or laborer. The preference seems to be to differentiate the labor qualities in terms of "more qualified" and "less qualified".

"Why do many economists prefer the term "human capital" which gives rise to some confusion?" asks the author. After all, the concept "human capital" refers to humans or more precisely to the qualifications of the laborer. In his opinion, one of the reasons could be "ideological" in order to keep a safe distance from the Marxist influence. Another reason could be related to a form of "academic face saving". Otherwise the existing theories and the models would face serious difficulties in remaining intact. A third reason could be to show the entire world that it is "capital" that makes the distinctive contribution to the supply of various products.

Would it be rational or logical to disagree?

In fact, each product whether a commodity or a service is produced by labor inputs assisted by the "other" inputs of production. What some economists call "capital goods" or the "means of production" are, in fact, physical products previously produced by the labor inputs. They are, by using labor, "transformed" natural products and the labor is embodied (accumulated) within them.

I believe the author displays here, as in some other parts of the book, a high level of "consciousness" regarding actual economic and social issues. He thinks that the specific use of key concepts cannot be explained by "innocent" randomness; they are ideological and chosen to be used in the so called "scientific" theories by the supporters of the dominant ideology, to serve their own interests, whether consciously or unconsciously.

Onpages 26-27 the author introduces other factors having an impact on growth. Though he considers "qualified labor" and "technological progress as the main determinants of long-run growth, the contribution of the "other" factors should not be under-estimated or overlooked.

For example, his remarks on Russia and Ukraine are not only very valuable but also controversial. He states:

> "As we see in Russia and the Ukraine, if you have a highly qualified labor force but do not have either the appropriate institutional and/or cultural infrastructure or the competitive firms necessary, you are not able to meet your targets."

Those remarks are very appropriate and subject to further detailed evaluation. What were the major forces in the Soviet Union that prevented the productivity growth as observed in Western countries?

His accumulated level of knowledge as well as experience give hints to the reader that the rest of the book will contain rather enriching insights and explanation regarding the growth process.

The title "Optimum Productivity**"** onPage-51in Section-2show the reader that a new and different concept is awaiting.

> "The optimum position implies that productivity is at its peak, i.e., the highest attainable level with a given technology and labor-force quality. This is the highest productivity level**."**

In the same page the reader will encounter, as before, a new and apparently more realistic definition of productivity and its association with economic growth.

On page-58, the author raises ones again his objection to the "savings equals investment" fallacy and the expected fall in the rate of long-run profits by stating that:

> "...new areas of investment have sprung up and continuous leaps have been observed in the profit rates which coincided with increased technological innovations. The cause of these macro productivity increases or technological productivity increases is the invention and use of new technologies, which are the product of intellectual labor."

The practical experience and the data from the field confirm the author's foresight and shows clearly that he has a solid argument on that issue.

The author makes a clear distinction between the "micro-productivity increase" with a "given" technology and the "macro-productivity increase" due to technological progress which seems to be quite appropriate and should be considered as a contribution to economic science, including the literature on productivity and growth. I agree with the author on his conclusion that the developing countries can display a sustained long-run growth only by increases in macro-productivity, i.e., technological progress.

Author's remarks in *Section-3* on the pages between 57 and 60 contain rather illuminating features with regard to the philosophy of economics. The most outstanding feature of this section seems to be the discussions on the shortages or inadequacies of growth models presented by some renowned economists like Smith, Marx, Marshall, Keynes and Harrod-Domar. The arguments in this section seem to have laid the foundation of the author's own "alternative" growth model.

On page-80 in *Section-4* the author reminds the reader once again about the source of long-run economic growth**.**

> "… the basic factor underlying the growth process is the knowledge produced and used by human beings. Since the source of new technologies is the "mental labor" of humans, we find that the most important source in long-run growth is a human being with a "creative" mental capacity. Neither capital nor anything else can replace or compensate for the contribution of "creative mental labor". We should always keep in mind that; Both the producer and the user of the knowledge in production is the "laborer".

At this stage, it would be interesting to find out what the answers of the author would be to the following relevant questions:

- How to generate a "creative minded labor"?
- How to contribute to its development?
- How to make the best use of it?
- What would be the most fruitful social, political, cultural and economic infrastructure and/or circumstances to discover the "creativeness" of laborer and to make use of it at optimum level?

A growth process 'policy' suggestion (preferably in the final part of the book) which is exercisable and viable might prove to be very useful.

On page-80 in *Section-4* the author successfully reveals the scientific merits (!) of the "imaginary" neoclassical growth theories and shows how inconsistent they are and how little value they have in practice with relevance to real economics.

The author concludes:

> "... all man-made products incorporate some form of technology produced by the physical and intellectual ingenuity of humans. Therefore, it would be meaningless and seriously mistaken to try to demonstrate that capital goods (K) and laborers (L) are separate from the technology (A) discussed in TFP analyses. It would be like saying "gravity does not exist because I can't see it".

The rest of the *Section-4* is devoted to the presentation and critical evaluations of the "endogenous" and "institutional" growth theories. The author admits that a big leap forward can be made in developing alternative logical and consistent theories on growth. He thinks that they still fall far short in introducing realistic models with realistic insights building a bridge between "creative" mental labor and technological progress. Therefore, he claims, these competing theories fail to fulfill the expectations in explaining actual events.

In the section evaluating Romer's model, the reader is once again reminded that one of the major shortages of the neoclassical ideology is; the neglect of the "historical" perspective. Not surprisingly, Romer, too, neglects the question on "how countries have arrived at their present conditions. We never find out:

> "What kind of measurements was taken to promote growth in the past? Was there any protection of the economy? Did crisis and cyclical fluctuations occur? If they occurred, then how the countries concerned did overcome them? What are the economic implications of imperialistic and colonialist policies? These questions are not asked and the appropriate answers are not sought."

Another striking comment and a serious contribution to economic science take place in the same pages on the critical evaluation of Romer's model:

> "One of the important shortcomings of the model is its incompetence in explaining the differences in global growth rates. According to Romer, the larger the human capital accumulation is, the higher the growth rate will be. However, the model is incompetent in explaining why countries such as Russia or Ukraine that are relatively richer in human capital produce less "new" designs than the countries such as the US or Japan."

Sections-5, 6 and 7 which are placed between the pages 145 and 199, contain the most authentic and outstanding sections of the book; "an alternative growth model". As mentioned before, it would be more comprehensive and useful for the reader to bring these three sections together.

The productivity-growth relationship, in both micro and macro-level, are re-considered thoroughly with a solid and distinct logic supported by "easy" (understandable) but related mathematics. In addition, the reader encounters new perceptions and relations which are not found in the contemporary growth models. Therefore, these sections rightfully deserve to be called "alternative".

Section-8 is about an important subject rarely encountered in the literature on growth analysis. "*Growth & the Service Sector*".

This part shows the reader clearly why growth analysis has to include the growth process in the Service Sector. This section lays down the foundation stones for further analysis.

The difficulty of measuring productivity or growth in Service Sector is shown keenly. It is difficult and cumbersome to make a commonly accepted definition of "output" which makes the related "productivity growth" analysis not only difficult but also slippery. For example, how can one define and measure the productivity or productivity growth in education, health, tourism, finance or artistic work? To find the right answer, many experts from different fields might have to come together and collaborate for a long time.

I assume that the metaphor cited in the Box in page 45 would be more appropriate if transferred into this part of the book. That's because; the humorous dialogs in the Box seem to be more suitable to the discussion related to Service Sector.

Nevertheless, the arguments in this section display the urgent need clearly for further and more detailed analysis in the Service Sector which would develop new concepts, explanations and some acceptable means of down to earth measurement acceptable to the scientific community.

In *Section-9*, page-211, the author makes another significant conceptual contribution to economic science. He specifically states that there is no such thing as the "productivity of capital"; it is "only" the labor-power of human being that is "productive" that can add value, given the "natural products". Capital-goods employed in the supply process of products are "by labor transformed products of nature". The labor spent during the previous processing stage of products is accumulated in the "transformed" products. In other words, the labor expended exists in "materialized" form, a view also accepted by the Radical Economists.

Under the circumstances, in both theory and practice, there is only one "productive" input of production; the labor effort of the laborer.

Section-10 discusses two key concepts "growth" and" development", and concludes that the similarities and distinctions between these two key concepts have not been successfully addressed. The author claims that the existing theories of growth fails to account for these in a satisfactory and rational manner, thus the need arose to understand and solve developing country problems which was named "Development Economics". In fact, not only developing but also developed countries "grow as well as develop".

In *Section-11*, the final part, by summarizing the major ideas and findings, the author once again reminds of the reader of the present "poor and utopian state" (to say the least) of contemporary growth theories and emphasizes that:

> "Technological innovations appear to be the basis for long-run growth, and the source of technological innovations appears as qualified laborers or more precisely "the creative minded laborer".

And last but not least, the author makes a "distinct and highly valuable suggestion" to improve the conditions of present developing countries without affecting the wealth of developed countries; in a way, he presents an "optimum state" suggestion to improve the global competitive condition. Hope is that this suggestion will not be undermined or neglected.

P.S. In the latest edition of his book entitled "Economic Growth & Development", the author has two more suggestions added to the first one with subtitle "A Suggestion to Boost Global Competition". The titles of the new suggestions in latest edition are "A Suggestion for "Fairer" Income Distribution" and "Global Cooperation of the Labor Unions".

4. Concluding Remarks

In this paper, an effort was made to review the book entitled "Economic Growth and Development" written by Dr. Hasan Gürak. Before starting the review the book was evaluated on three aspects which are:

1. "What" does the author aim to explain in this book?
2. "What" is the purpose of writing the book?
3. "What" is the method used?

I have tried to give the answers to these questions in the "introductory" part of this paper. Let's briefly recall.

Up to date "existing" theories and concepts of growth seem to have been thoroughly analyzed and critically discussed in an historical perspective.

The concept "productivity increase" is pointed out as the most important dynamics of growth which is studied under two categories; micro- and macro-productivity. Both are studied theoretically and mathematically.

The analysis shows distinctly and consistently, in a rational manner, that the long-run economic growth is due to technological innovations which are the products of "creative mental labor".

The author not only reviews and critically evaluates the existing growth theories but also presents his own "alternative growth model" based on "labor qualifications".

The author introduces a theoretically consistent, explanatory and rational "alternative growth model" which is flavored by his personal experience in the real sector. In other words, he successfully combines theory and practice.

One of the outstanding features is the author never neglects the historical perspective of events nor the dynamics of society in his analyses, as we observe in different parts of the book.

There are naturally some aspects or issues subject to criticism or deserve analyses in more detail which are pointed out in relevant sections.

A “road map” to show the reader what ought to be done in terms of economic policy or education and technological development in order to achieve the targeted results would be rather useful.

Finally and in summary, evaluating the whole content of the book in terms of contribution to economics science, the book entitled “Economic Growth and Development” seems to be a pioneering work in its field with new and strong arguments. It has the potential to serve as a scientific resource or foundation ground for further scientific research in economics.