Kicking Away the Ladder: Development Strategy in Historical Perspective

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Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*, Anthem Press, London, 2002. 187 p.

Are the now-developed countries 'kicking away the ladder' by which they climbed up to the top beyond the reach of the developing countries? To deal with this question Chang follows the historical approach to economics, which he describes as searching for persistent historical patterns, constructing theories to explain them, and applying these theories to contemporary problems, while taking into account changes in technological, institutional and political circumstances.

Chang's book builds upon List's infant industry argument, i.e. the view that in the presence of leader countries, backward countries cannot develop new industries without state intervention, especially tariff protection. He describes how Britain, the USA, Germany, France, Sweden, Belgium, Japan, Korea and Taiwan actively used interventionist industrial, trade and technology policies that are aimed at promoting infant industries during their catch-up periods. Interestingly, the exceptions to this were Switzerland and the Netherlands, but according to Chang these were countries at or very near the technological frontier and thus did not, by definition, need much infant industry promotion.

Arriving at the technological frontier there were increasing pressures for free trade from the increasingly confident manufacturers. In 1913, for example, the average tariff rates on manufactured products were the UK (0), the Netherlands (4), Switzerland (9), France (20), Japan (30), and the USA (44). In Britain the free trade regime started in 1833 with a round of tariff reduction and ended in 1932 when tariffs were re-introduced on a large scale. The USA never had a zero-tariff regime like the UK, and it was much more aggressive in using 'hidden' protectionist measures. It was only after World War II that the USA finally liberalized its trade.

Basically, Chang's analysis hinges on two hypotheses: technological catch-up and institutional catch-up. The package of 'good institutions' or 'good governance' includes many items. Only a restricted number of the now-developed economies, i.e. the Nordic countries, the UK, the Netherlands and New Zealand, introduced democracy immediately before or after World War I. Most other countries, including the poorest and the richest, introduced democracy in the form of universal suffrage as late as after World War II. This shows that institutional convergence is much faster in today's developing countries than it was in the now-developed countries when they were at similar stages of development.

Chang gives an interesting summary of institutional evolution in the now-developed countries, showing the year and country of first adoption, last adoption, and the year of majority adoption out of the 15-19 now-developed countries for which the information is available. The majority adoption was universal suffrage (1946), patent law (1840s), central banking (1847), industrial accident insurance (1898), health insurance (1911), state pension (1909), unemployment insurance (1920), and child labour regulation (1873). The comparison with currently developing countries shows that, in the 1820s, most of the now-developed countries were, broadly speaking, at a level of per capita income somewhere between Bangladesh and Egypt of today. From these and other examples Chang concludes that, in the early days of their economic development, the now-developed countries were operating with much less developed institutional structures than those existing in today's developing countries at comparable levels of development. This does not mean however that the developing countries are better suited for technological catch up than the now-developed countries when they were at similar stages of development. According to

Chang, the reason is that the now-developed countries, which control the international development establishment, recommend neo-liberal market-based policies nowadays, which hamper economic growth. Developing countries grew much faster when they used 'bad' policies during the 1960-1980 period than when they used 'good' ones during the following decades. These 'bad' policies are basically those that the now-developed countries had pursued when they were developing countries themselves. In other words, the now-developed countries are indeed 'kicking away the ladder' by which they have climbed to the top.

Chang discusses three possible objections against the argument in the book. The first is the argument that the developing countries need to adopt the policies and institutions of the now-developed countries whether they like them or not, because that is how the world works. The second is the argument such policies have to be adopted because they are what the international investors want. The third is the argument that the 'world standard' in institutions has risen over the last century or so, and therefore that the current developing countries should not consider the now-developed countries of 100 and 150 years ago their role models.

To these objections at least two others can be added. The first is the view that technological change depends primarily on its own past. There are several rationalizations for this. One of them is that technological change tends to be 'local', that is, learning occurs primarily around techniques in use, and thus that now-developed economies will learn more about advanced techniques than developing countries and stay at the cutting edge of progress. Related to this is the argument that culture matters. The hidden social bases of neo-liberal success and failure has led economists and policy makers to think of development in a broader way than the former market-based policies applied by the World Bank in the 1980s. This interest in cultural aspects and the possibility of culture facilitating economic development has been further speeded up as a point of general interest, since it has been argued that the impressive economic development in East Asia should be contributed to the specific cultural and religious heritage in these countries.

In sum, this is an informative book on 'good governance' in historical perspective and the history of infant industry policies. However, the argument in the book underexposes the role of path dependency and cultural heritage.

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