

Kicking Away the Ladder – Development Strategy in Historical Perspective

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Summary

There is currently great pressure on developing countries to adopt a set of “good policies” and “good institutions” to foster their economic development. Naturally, there have been heated debates on whether these recommended policies and institutions are appropriate for developing countries. However, curiously, even many of those who are sceptical of the applicability of these policies and institutions to the developing countries take it for granted that these were the policies and the institutions that were used by the developed countries when they themselves were developing countries.

The book, on the basis of a detailed and careful review of historical evidence, argues that this cannot be further from the truth – the developed countries did *not* get where they are now through the policies and the institutions that they recommend to the developing countries today. Most of them actively used “bad” trade and industrial policies, such as infant industry protection and export subsidies – practices that are frowned upon, if not actively banned, by the WTO these days. Very interestingly, the UK and the USA, which most of us think as the paragons of free-trade and free-market policies, were the most ardent users of such policies in the earlier stages of their development. In terms of institutional development, until they were quite developed (say, until the early 20th century), the developed countries had very few of the institutions deemed essential for developing countries today, democratic political institutions, a professional bureaucracy, and the central bank. Indeed, when they were developing countries themselves, the developed countries had much lower-quality institutions than today’s developing countries at comparable levels of development.

If this is the case, aren’t the developed countries, under the guise of recommending “good” policies and institutions, actually making it difficult for the developing countries to use policies and institutions that had allowed them to develop economically in earlier times? Friedrich List, the mid-19th-century German economist who perfected the theory of infant industry protection (which interestingly was first systematically developed by the first US Secretary of Treasury, Alexander Hamilton), certainly thought so. He criticised the British preaching of the virtues of free trade to countries like Germany and the USA as an attempt to “kick away the ladder”, with which Britain climbed to the top.

Pointing out that the allegedly “good” policies and institutions recommended by the Bretton Woods institutions and the developed country governments have not been able to generate the promised growth dynamism in the developing countries during the last two decades or so, the book calls for a radical re-thinking on development strategy.

The book argues that, first of all, the above-mentioned historical facts about the developmental experiences of the developed countries should be more widely publicised so that the developing countries can make more informed choices about policies and institutions. Second, it argues, policy-related conditionalities attached to financial assistance from the IMF and the World Bank or from the donor governments should be radically changed, on the recognition that many of the policies that are these days considered “bad” are in fact not, and that there can be no “best practice” policy that everyone should use. Third, the WTO rules and other multilateral trade agreements should be re-written in such a way that a more active use of infant industry promotion tools (e.g., tariffs, subsidies) is allowed. Fourth, improvements in institutions should be encouraged, but this should not be equated with imposing a fixed set of (in practice, today’s – not even yesterday’s – Anglo-American) institutions on all countries. Special care has to be taken in order not to demand excessively

rapid upgrading of institutions that are not really essential in the earlier stages of economic development (such as strong intellectual property rights), when these countries already have relatively high-quality institutions by historical standards and when institutional upgrading can divert resources away from other crucial sectors such as education, health, and infrastructure.

The book argues that by adopting policies and institutions that are more suitable to their stages of development and to other conditions they face, the developing countries will be able to grow faster. This will benefit not only the developing countries but also the developed countries in the long run, as it will increase the trade and investment opportunities available to the developed countries in the developing countries.

Advance Praises for *Kicking Away the Ladder*

“Ha-Joon Chang has produced a provocative critique of mainstream economists’ sermons directed to developing countries, amounting to ‘Do as I say, not as I did.’ It demands an attention.”

Charles Kindleberger, Emeritus Professor of Economics, MIT, USA

“Ha-Joon Chang has examined a large body of historical material to reach some very interesting and important conclusions about institutions and economic development. Not only is the historical picture re-examined, but Chang uses this to argue the need for a changing attitude to the institutions desired in today’s developing nations. Both as historical reinterpretation and policy advocacy, *Kicking Away the Ladder* deserves a wide audience among economists, historians, and members of the policy establishment.”

Stanley Engerman, Professor of Economic History, Rochester University, USA

“People have ‘always known’ that leading economies used directed policies to industrialize when they were less affluent and then told poorer countries NOT to do the same, i.e. the incumbent rich always tell the poor to adopt a liberal policy stance. But this common knowledge had never been adequately documented until Ha-Joon Chang took on the task. *Kicking Away the Ladder* is a scholarly tour-de-force and essential reading for industrial policy-makers in the 21st century.”

Lance Taylor, Professor of Economics, New School University, USA

“In this lively, knowledgeable and original contribution to international political economy, Ha-Joon Chang puts economic history at the centre of the current trade liberalisation debate, arguing that developing countries should not be denied policy instruments used by Europe and America for their own development. He deserves our thanks for making this argument with rare force and skill.”

John Toye, Professor of Economics, University of Oxford, UK

“This is an original and provocative work, an immensely valuable contribution to current debates on development. No one will agree with all of Chang’s arguments. Indeed, many will disagree with most of what he has to say. Nonetheless, the book is far too carefully grounded and cogently argued to be dismissed, even by those who disagree with it. It will become the focus of a broad and lively debate that will enrich development theory and challenge contemporary policy.”

Peter Evans, Professor of Sociology, University of California, Berkeley, USA