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Ha-Joon CHANG, *Kicking Away the Ladder, Development Strategy in Historical Perspective*, London, Anthem Press, 2002, pp. 181.

This study is a twofold critique of the mainstream neoclassical approach to economics. First, it criticizes the neo-liberal development strategy recommended to/demanded from[1] the developing countries by the developed world and the international development policy establishment that it controls. Secondly, the historical approach adopted by the study can be interpreted as a critical response to the ahistorical perspective of neoclassical economics. On both grounds this book is a provocative and successful challenge to the dominant paradigm in the study of economic development.

The neo-liberal agenda shaped by the Washington Consensus remains dominant in forming the development strategy for developing countries. According to this agenda, in order to foster development, every country should adopt a set of 'good policies' and 'good institutions'[2]. Chang asks whether or not these 'good policies' and 'good institutions' are appropriate for developing countries. This question has already been raised, especially after the recent failures of the IMF and World Bank programs in many developing countries. What distinguishes Chang's attempt to challenge the neo-liberal development strategy from the other critiques is his methodological perspective. Instead of using statistical methods to evaluate the success of liberal policies or forming a

[1] The conditionality imposed upon developing countries through IMF and World Bank funding limits the freedom of developing countries in shaping their development strategies. In this sense, development prescriptions are in fact more than mere recommendations; they amount to requirements. See Ariel Buria for "An Analysis of IMF Conditionality."
http://ksghome.harvard.edu/~.drodrik.academic.ksg/g24buira.pdf.

[2] Good policies according to this agenda are restrictive macroeconomic policies, liberalization of international trade and investment, privatization and deregulation. Good institutions include democracy, 'good' bureaucracy, an independent judiciary, strongly protected private property rights (including intellectual property rights); and transparent and market-oriented corporate governance and financial institutions (including a politically independent central bank).

theoretical framework to analyze the dynamics of development, he deploys a historical approach to challenge the neo-liberal discourse. He attacks the basis of historical justification of the neo-liberal development strategy, which is the popular assumption that these ‘good’ policies and ‘good’ institutions were adopted by the developed countries themselves as they entered into the path of development.

In order to challenge this assumption, he carefully analyzes the historical data pertaining to a range of now developed countries (NDCs) on two separate realms: policies and institutions.[3] According to Chang, the distinction between policies and institutions is arbitrary in the sense that “institutions are more permanent arrangements while policies are more easily changeable” (p. 9). However, the emergence of different conclusions from these two sets of analyses suggests that the difference between institutions and policies is more than arbitrary and requires a different approach in terms of the analysis of economic development. Before discussing the implications of this analytical distinction it is imperative to discuss the conclusions of Chang’s analysis.

In the context of *policies*, a very clear and totalizing picture emerges from the examination of historical data. Virtually all NDCs actively used interventionist industrial, trade, and technology policies that they now attempt to prevent developing countries from implementing. Chang explains the emergence of this universal pattern as being a response to the common problem faced by all catch-up economies: “the shift to higher value-added activities, which constitutes the key to the process of economic development, does not happen ‘naturally’” (p. 126). Here one wonders why Chang hardly makes any reference to the recent studies in macroeconomic theory that provide the theoretical explanation for the same phenomena. As Chang explicitly states the importance of seeing “economic historians take greater cognizance of the theoretical implications of their work,” one expects to find more reference to the theoretical correspondence of his arguments throughout the study.

Although Chang emphasizes the common denominator of all successful industrial, trade, and technology policies and makes a strong case against the neo-liberal discourse, he does not fail to acknowledge the fact that development strategies across various countries differed to a great extent in terms of their degree of technological backwardness, international condition, and human resource availability. As such, he also

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[3]In the part related to policies, he examines the experiences of Britain, the USA, Germany, France, Sweden, Belgium, the Netherlands, Switzerland, Japan, Korea and Taiwan. Because it is easier to date and characterize institutions rather than policies, he provides us with the experiences of a wider range of countries on the issue of institutions.

opposes standard prescriptions of development and points to the importance of specific conditions of the country in shaping its development strategy. One of the factors he points to as critical in the success of these developing countries is the ability and the willingness of the state to implement such policies. However, Chang overlooks the historical background underlying the willingness and ability to implement these policies. In a study such as this, which claims historical cognizance, one expects to find some reference to the role of state and state-society relations formed in a particular historical context in shaping the capacity of the country to initiate a developmental strategy.

In the case of *institutions*, the picture is more complicated. Chang focuses on six broad areas in terms of institutional development: democracy, bureaucracy and judiciary, property rights, corporate governance, private and public financial institutions, and welfare and labor institutions. He examines how these institutions, which are currently regarded as essential components of good governance structure, evolved in the NDCs when they were developing countries themselves. He compares the level of institutional development achieved in the NDCs during their process of development with those of today's developing countries and he shows that the process of institutional development in the NDCs has been slow and uneven compared to contemporary developing countries. Thus, he demonstrates that developing countries today actually have much higher levels of institutional development than the NDCs had at comparable stages of development. Such an argument clearly undermines the thesis that 'good governance' is crucial for developing countries, since without the development of these institutions 'good policies' cannot be sufficiently successful[4]. However, as Chang also admits, this discussion on institutions does not provide us with a clear pattern about the relationship of institutions and development. What emerges is that "most of the institutions that are currently recommended to the developing countries as parts of the 'good governance' package were in fact the results, rather than causes, of economic development of the NDCs" (p. 129). Although this analysis on institutions successfully challenges the importance attributed to the particular institutions in the neo-liberal strategy, it does not provide us with lessons to draw in terms of the real value of institutions for economic development. One reason as Chang puts it, is the insufficient amount of research on the process of institutional development (p. 129). However, another reason for the

[4] By arguing that 'good governance' is a condition of development, international institutions, such as IMF and World Bank, had the opportunity to shield themselves from the critiques concerning the failure of their programs in developing countries.

ambiguity in understanding the role of institutions in economic development originates from the fact that he does not take into consideration other institutional measures except for the ones the neo-liberal discourse suggests. For example, if instead of democracy (understood to be simply a degree of electoral representation), the extent of the balance in the representation of interests of different classes in affecting state policies is taken as an explanatory variable—which is clearly more related with the historical path of class struggle and state-society relations—a more adequate picture can emerge. However, such a perspective is understandably inapplicable within the scope of this study because of its practical limits and aims. Another problem regarding the study's comparative analysis of institutional development arises from the lack of attention paid to the changing importance of certain institutions within the international environment. For instance, because of increasing short-term capital flows, banking regulations become more important in overcoming the vulnerability of developing economies against international shocks. Likewise, institutions that regulate working hours and conditions become more crucial since, as determinants of production cost gaps between developed and developing countries, they affect the type and amount of foreign direct investment that enters developing countries. Taking into consideration the role of institutional discrepancy between developed and developing countries in strengthening the dependency relations could contribute to our understanding of institutional development.

Although the part on institutional development remains mostly a quantitative summary of the emergence and development of certain institutions, it provides us with sufficient evidence to negate the popular myth that institutional development should precede economic development. The picture drawn about both policies and institutions is totally different from the "powerful but fundamentally misleading" picture provided by advocates of neo-liberal policies (pp. 15-6). The question then becomes: why do developed countries and international institutions advocate these policies and institutions? In other words, what lies beneath the historical manipulation, or at least the historical ignorance, of development experience? To this question Chang provides a very provocative answer that also provides the title of his book: "Are the developed countries, and the international development policy establishment (IDPE) that they control, recommending policies that they find beneficial for themselves, rather than those beneficial for the developing countries? ... In other words, are the developed countries 'kicking away the ladder' by which they climbed up to the top beyond the reach of the developing countries?" (p. 127). Chang's answer to this question is yes. He suggests that 'kicking away the ladder' is also part of the strategy in which developed countries try to preserve their privileged position in the world economy. However, this reveals an implicit assumption that underlies the development perspective, which is that the competition between developed and developing countries is inevitable and there is no room for all countries to become developed. At least developed countries behave on the basis of this assumption and try to kick away the ladder. Chang tries to overcome this paradox by arguing that letting developing countries develop, in other words giving up the 'kicking away' strategy, will also be beneficial for the developed countries: "this will benefit not only the developing countries, but also the developed nations in the long term, as it will increase the trade and investment opportunities available" (p. 141). Unfortunately he does not provide the theoretical foundations of this argument. Although acknowledging that "this does not necessarily imply that everyone will benefit", he does not bring in the role of internal class conflicts both in developed and developing countries as an important factor in determining the viability of implementing developmental strategy in developing countries.

The most important aspect of this study is its methodology. The historical approach to economics, as he defines his methodology, "involves 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" (p. 6). This approach has been marginalized in the last two decades by the dominance of mainstream neoclassical economics even in fields such as development economics and economic history (p. 7). One of the aims of this study is to reaffirm the usefulness of the historical approach by applying it to the critique of current popular discourses on 'good policies' and 'good governance' (p. 8). To a great extent, this aim is achieved. First of all, the study succeeds in showing the mythical nature of the popular development story, which claims that the developed nations achieved their success through free trade and good institutions. Secondly, it draws some lessons from the experience of the now developed countries. However, it would have made more interesting reading if the challenge to the neo-liberal agenda had been supported by further theoretical elaborations, and if the role of state-society relations was taken into account. Be that as it may, using a vast amount of historical data in a systematic way to present a theoretical case already suffices to make this study uniquely valuable and highly recommendable in its field.

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