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Why Are We So Rich and They So Poor?

By DAVID S. LANDES*

At the risk of tipping my hand, I shall argue that most answers to the question posed by my title fall into one of two lines of explanation. One says that we are so rich and they so poor because we are so good and they so bad; that is, we are hardworking, knowledgable, educated, well-governed, efficacious, and productive, and they are the reverse. The other says that we are so rich and they so poor because we are so bad and they so good: we are greedy, ruthless, exploitative, aggressive, while they are weak, innocent, virtuous, abused, and vulnerable. It is not clear to me that one line of argument necessarily precludes the other, although most observers and commentators have a strong preference in the matter. What is clear is that, insofar as we may want to do something about the gap between rich and poor, each of these explanations implies a very different strategy.

I

In the beginning was Adam Smith, and he told us not to worry about economic growth: it would take care of itself. Left alone, people would sort things out, do what they did best, make appropriate choices to maximize return. The market would take care of the rest, rewarding reasons and quickness and knowledge and punishing the opposite. All of this, moreover, would work to the general advantage, augmenting the wealth of nations and leading them through a natural progression of stages from agriculture to industry to commerce. Long live the invisible hand!

To be sure, this sense of immense possibilities of improvement did not last. Malthus and Ricardo in particular developed theses of limits to growth that did much to earn for economics the name of dismal science. Malthus stressed the tendency in the long run for population to increase to and beyond the limits of subsistence, and linked this unhappy outcome to the inexorable operation of arithmetic. For Malthus, natural and man-made disasters—famine, disease, war—were the necessary winnows of a biosphere in disequilibrium. He was not a complete pessimist and recognized the small possibility that self-imposed restraint in reproduction might solve the problem, but given the force of human nature and the prevailing contraceptive technology (to say nothing of the absence of television and other compensating diversions), he was not very hopeful.

Ricardo took the stick from the other end: the limits to the extension of cultivation. As demand for food increased, he argued, ever-poorer land would be brought into cultivation, thereby raising the cost of food and wages, reducing profits, inflating rents, and crowding out other uses for capital. The motor of growth would simply seize up. The result would be the stationary state.

It would be rash to argue that Malthus and Ricardo were not an integral part of the classical paradigm. Yet their pessimistic lessons were in fact dismissed or, more precisely, were put away to be revived another day. In the heady days of nineteenth-century expansion, they seemed at best misguided. It is true that population was growing faster than before (although there were any number of misconceptions about what had passed before), but food was apparently no problem. On the contrary, the famines of yesteryear disappeared, for many reasons: new staple crops (the potato, maize); the application to the soil of outside nutrients;

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better rotations; virgin lands in and out of Europe; improved transport. And those regions where population pressed on subsistence were able to export their surplus eaters: the opening of frontier areas overseas seemed to provide an indefinite solution to the Malthusian dilemma.

As a result, the theme of limits to growth simply receded from the intellectual consciousness. Occasionally a lonely voice like that of Jevons was heard, warning of the exhaustion of the coal supply, but his anxieties were dismissed as parochial, especially after the technological innovations of the Second Industrial Revolution (liquid and gaseous fuels, electricity) transformed the economics of energy.

II

This "growth is natural" model (though no one would have called it that) remained for well over 100 years the dominant paradigm; so much so, that it became an invisible given of economic thought in general, and more or less disappeared as a subject of inquiry. Insofar as some nations had trouble following this path—doing what comes naturally—the explanation was as Smith himself understood it: man and politics had gotten in the way.[1] In particular, the intervention of the state, however well meant, worked to hobble initiatives, distort the market, and cripple the invisible hand.

The same sense of complacency prevailed in regard to distribution. Clearly some nations were richer than others. But that was all right because it was in the nature of things. Of the three factors of production—land, labor, and capital—it was the first that made the difference. Land (which included resources under the land and climate above) was unequally distributed. That was God's work. Those nations more richly endowed with resources were, other things equal (the saving proviso of economic thinking), bound to be richer. As for the other two factors, labor and capital, the assumption was that, in the long run, these were homogeneous and equal. People were rational maximizers or could like putty be shaped to the role; and money was money, subject to appropriate rates of exchange. Both factors were assumed to be mobile and/or elastic, ready to move to opportunity—labor by migration or population change, capital by transfer or saving. Even knowledge and know-how were there for the buying. Only land was different, and there, given this natural inequality, it was in the interest of each nation to make the best of what it had. Here the Ricardian analysis of comparative advantage reinforced the Smithian model and the contentment that went with it.

And the discontent. It should not be hard to understand that those countries dissatisfied with their place in the economic order were not prepared to accept this inequality as God-given, that is, to take the message of the economic pundits as gospel. The wealth of nations was also the power and place of nations. Very early on, then, indeed from the eighteenth century, those countries such as France that could reasonably presume to rival Britain understood that Britain's lead in technology was a source of potential dominance as well as wealth and sought to follow suit. To this end, they sent emissaries to look and learn; and where these were barred by business secrecy, they sent spies. They also did their best to lure British workers and mechanics, and to import machines for use but, above all, for copying. The British in turn, who clearly did not believe in the assurances of their best and brightest about the virtues and rewards of laissez-faire (at least not where exports were concerned) issued laws and decrees to bar the sale of machines and the emigration of artisans. To no avail: in the long run, like love, the market laughs at locksmiths.

Sad to relate for sound economic policy, the would-be follower countries were not content to confine themselves to importing and stealing knowledge and hardware. Unwilling as they were to allow cheaper British goods to swamp their own industries, they threw up trade barriers, and these proved

[1] See, on this point, Smith's analysis of China's "stationary" state: the country "had probably long ago acquired that full complement of riches which is consistent with the nature of its laws and institutions. But this complement may be much inferior to what, with other laws and institutions, the nature of its soil, climate, and situation might admit of" (p. 95).

more enforcible and effective than British export embargoes. (To limit fraud, for example, the French made use of outright prohibitions: that way, any piece of foreign cloth had to be contraband and was ipso facto subject to seizure.) The British, in turn, who had their own long history of protection and interference with trade, deplored this perturbation of the natural order and regretted the unwillingness of other countries to join them in a spirit of shared freedom and international cooperation. John Bowring, for example, Parliamentary emissary extraordinary, lamented in his report of 1840 the rising German duties on manufactures—Germany, he pointed out, so clearly unsuited by nature to industry and destined by its resources to serve as a granary for Albion's Workshop of the World.

Even this was not enough. These follower countries, determined to help themselves, began taking steps to hasten the adoption of the new techniques. They recognized perfectly that backwardness had its servitudes and exigencies. They understood, for example, that they needed more capital than the British to pay for newer vintages of machinery and would have to invent institutions to mobilize these resources; and that they had to take deliberate measures to train technicians and engineers to deal with technologies they had not grown up with at the bench and in the shop. No one told them, as a later generation of economic historians would, that steam power didn't matter if water power was available; that if they didn't have iron, they could always use wood; that they were already doing as well as or better (growing as fast as or faster) than the British; indeed, that it was only chance that had given Britain its head start and that the Industrial Revolution might just as easily have taken place in France; and besides, even if Britain were ahead, what difference did it make, since a mere 15 percent gap in wages or income (if not more) was just not enough to fuss about; besides, *steak pommes frites* tastes better than fish and chips.[2]

What's more, even if some clever cliometrician had given them the good tidings, using stochastic models and statistical constructs and such clever bits of folk wisdom as the multiple ways to skin a cat, these politicians and functionaries would have told them to get out of their book-lined studies and look around, and reminded them that political power has its own reasons and its own urgency. Instead, then, of consoling themselves with a most estimable array of cliometricians (how could they?), the decision makers of the follower countries read and heeded Alexander Hamilton, J.-A. Chaptal, Friedrich List, Christian Rother, and Gustav Mevissen. And so these countries caught up with Britain, to Britain's slow but enduring disbelief.

In all fairness, their ability to catch up was the result as much of preparedness as of deliberate preparation. The cultural and intellectual distance that separated them from Britain was relatively small; in some important areas of science, chemistry for example, they were well ahead; and their own technical and commercial experience was far from trivial. They had their own history of invention and manufacture, their own specialties, their own areas and niches of market dominance. And what they did not have, they could get from one another. The history of British, then French and Belgian and Swiss, then German export of capital and enterprise in the nineteenth century would have rejoiced the heart of any practitioner of marginalist economics.

By the end of the nineteenth century, then, the Industrial Revolution that had begun in Britain had diffused throughout Europe and to European offshoots overseas. Not to Latin America, whose monied elites were long con-

[2]For a dismayingly credulous survey of what passes as the latest revisionist interpretation of the Industrial Revolution, see Eric Jones (1988, ch. i): "A Know-all's Guide to the Industrial Revolution." On the substitutability of wood for iron and steel, in refutation of the "iron and steel propaganda of the Industrial Revolution," see F. T. Evans (1982); on the "dethroning" of the role of steam (Jones, p. 17), see Dolores Greenberg (1982); on the relative rates of British and French growth, see Richard Roehl (1976; 1983), and Patrick O'Brien and Caglar Keyder (1978); on the role of chance in the British primacy, see N. F. R. Crafts (1985); on wage, income, and culinary gaps, see O'Brien-Keyder and Donald McCloskey (1988).

tent to trade primary products for overseas manufactures (in those days, such things as wheat, meat, coffee, and copper; today much the same, plus cocaine); nor to European colonies or even free countries in Asia. Africa, especially sub-Saharan Africa, lay beyond the pale of awareness. And if one had asked a European economist about this, he would have described it once again as the natural order of things. The international division of labor had been modified by the diffusion of the new technologies. Britain was no longer the Workshop of the World, which had expanded to include Europe and the United States. But specialization remained, and no European would have seen it as anything but rational and logical, inscribed in geography and, for many in that era, in the racial endowment.[3]

III

It should be said that the Marxian mode of analysis, which presented itself as a dissent, did not reject or seek to alter this paradigm. Marx accepted the naturalness of growth and the positive link between technical advance and wealth. His primary concern was with distribution and the class relations implicit in or derived from the ownership and use of the means of production. In this regard, he never asked questions about the reasons for or determinants of technology or the mode of production—and this for the very simple reason that he did not think there was anything to explain.

The pursuit of productivity was a perfectly natural effort to enhance relative surplus, thereby increasing the rate of exploitation and promoting the accumulation of capital. Besides, for Marx, technological innovation was typically the work of science, and as such, the gratuitous fruit of what he called social labor. The capitalist was a taker. The first to take (to innovate) generally went broke, and the legacy was culled by the jackals of enterprise. "It is, therefore, generally the most worthless and miserable sort of money-capitalists who draw the greatest profit out of all new developments of the universal labour of the human spirit and their social application through combined labour."[4] So much for innovation.

What Marxists (as opposed to Marx and to mainstream economics) did come to concern themselves with was the distribution of wealth among nations. (One can see the analogy to his preoccupation with the question of distribution within the economy.) Specifically, they raised the issue of the economic consequences of imperialism and likened the workers of colonial countries (what we would now call Third World countries) to an external proletariat exploited by the capitalists of imperial states. This analogy, which offered polemical advantages in the attack on the old order, had the additional merit for some Marxists of explaining in politically congenial terms such evidence of improvement as they were willing to concede in the standard of living of workers under capitalism. The argument ran that the capitalists were buying off their own workers and thereby buying peace at home by squeezing these outsiders—in effect, by draining their surplus. At the same time, the imperial powers were said to be deliberately holding back these subject countries, blocking their industrial development for the benefit of capitalists at home.[5]

[3] The one element that should have given pause was the rapid growth and transformation of Meiji Japan, and this in spite of severe constraints on commercial autonomy imposed by the European powers on the pre-Meiji shogunate around the middle of the century. (The Japanese could not set protective tariffs to shelter their new industries.) It was their resounding defeat of Russia in 1905 that gave the measure (sounded the alarm) of the changing economic and political order in the Far East. One reaction was to adopt the Japanese as spiritual Westerners, "like us." People will do almost anything to save a paradigm.

[4] Karl Marx, *Capital* (III, ch. v, sect. 5, p. 103). See M. M. Bober (1968, pp. 282–83).

[5] This is a condensed, homogenized version of a diverse literature. Marxist critiques of imperialism range from simple land-drain arguments—it is a system for growing the cash crops and emptying the mines with cheap, forced or semiforced labor of a kind one could not employ at home—to conspiracy theories about capitalist unwillingness to help colonies develop industrially in competition with the mother country. For a

(Note that this thesis was sharply at variance with Marx's own favorable view of the economic consequences of empire: he castigated its abuses but considered it "objectively" progressive. Nothing else, he thought, could shake the torpor of centuries, otherwise known as the Asiatic mode of production. The thesis also clashed with the stereotype of capitalists who supposedly have no loyalty to anything but money. Why should they prefer dear labor to cheap?)

Intellectually, however, the Marxist anti-imperialist thesis remained in the master's tradition by accepting the classical paradigm; that is, it saw growth as natural and interpreted colonial poverty and backwardness as products of political exploitation and the wrong kind of interference. It assumed, therefore, that once the burden of captivity removed, the liberated colonies would be free to pursue their own destiny and develop economically as had their rich oppressors.

IV

When non-Marxist, "mainstream" economists belatedly began looking at the question of growth and development in what we now call the Third World, they were no more inclined than the Marxists to jettison the classical paradigm. The Western experience was proof of what could be done, even by countries that seemed destined to serve as sources of primary products. Canada and Australia, even Argentina and Brazil: there was no reason why a nonindustrial country could not eventually create a balanced, diversified modern economy. What it needed was good government and good markets, and resources would flow to the areas of highest return. If some of these went to industry, say, food processing, why that was just fine, especially if such movement reflected true marginal rates of return and not distorted rewards. Staples theory (vent for surplus) was invented to explain this process, and it seemed to work well with a variety of economies in time and space, ranging from Canada (furs, timber, grain, minerals), to the United States (tobacco, cotton, grain), to Sweden (timber, copper, iron ore), and perhaps eventually to Argentina (hides, grain, frozen meat), and Brazil (gold, sugar, hardwoods, coffee), and even to medieval England (wool).

The trouble was that once the development bug bit, the poor countries of the twentieth century had no patience for the slow, selective, and contingent success of staples growth. On the contrary, they saw it as a trap. In this they were really no different from the follower countries of Europe in the eighteenth and nineteenth centuries. Like them, they were in a hurry, and if anything in a greater hurry, because they were poorer and, thanks to the demonstration effect, hungrier. (If you ask any of the follower countries today whether they are prepared to wait 100 years to catch up, they will express outrage. Yet that is how long it took Japan.) The primary producers of the twentieth century found that most staples were easily substitutable and subject to fierce competition in world markets; hence that staples income was uncertain and beyond their control. They also found, as nineteenth-century exporters had, that private revenue from staples exports enriched disproportionately a small fraction of the society, who more often than not were self-indulgent consumers of luxury imports, who preferred rents to the risks of market competition, and who therefore avoided engagement in a broader pattern of development.

At the same time, these would-be developers were not prepared to eschew industrialization, that is, to accept the apparent dictates of comparative advantage, because industry, especially heavy industry (above all, coal, steel, and machines), spelled power and Marxist theory told them that there could be no modernization without what

guide to some of this diversity, much of which takes the form of rediscovering old news, see Keith Griffin and John Gurley (1985). Note, of course, that this criticism of imperialism was system-specific; that is, it applied only to capitalist or bourgeois government, not to socialist regimes. (Most Marxists would describe socialist imperialism as a contradiction in terms.) In this regard, the Marxists, as collectivists, were far closer to the Tories than to classical economic liberals. Compare S. M. Lipset (1988, p. 30).

Marx called Modern Industry.[6] (In all this, they had the example of such earlier developers as the United States and Japan, which may have built their earliest gains on light industry but then shifted resources into such branches as metallurgy.)

The result was Third World development economics, which bore a strong resemblance to its intellectual predecessors of the nineteenth century (Hamilton, List et al.), but modified, first by Marxian notions of the primacy, indeed the indispensability, of industry; of the superior if not sole legitimacy of government or collective ownership of the means of production, including peasant land; and of the importance of state planning and intervention; and second, by post-Marxian concepts and grievances of international exploitation and the penalties of inequality.

V

It should be noted that Third World (like First World) awareness of backwardness (or of poverty, for that matter) came relatively late. It was a twentieth-century phenomenon and was closely related, first, to the growing movement for freedom in such colonies and dominions as India (Indian ideological leadership in this regard was testimony to the already extensive transfer of British ideas and ideals along with technology), and then to the achievement of independence in the aftermath of World War II.

In logic and essence this new consciousness was, as we have seen, hopeful and even confident, for the lifting of the foreign thrall, with all the exploitation and impoverishment that that presumably entailed, could not but inaugurate a happier age of initiative and progress. Building on the assumption that late is better (that it pays to be late), economists and statesmen were quick to predict high rates of growth that would enable the new follower countries to catch up in short time with their richer predecessors. Such is the power of compound interest.[7]

These sanguine predictions have been disappointed; and that raises the question why. Let me start with the premise: the assumption that growth is natural, fairly waiting to happen.

The experience of the twentieth century, and especially of the period since World War II, is that development is neither natural nor easy. We have seen that, on the basis of the conventional wisdom, whether classical, neoclassical, or Marxist, it ought to be. Certainly the incentive is there: the gap between what is and what can be is enormous. And the opportunity. Once (here fill in the appropriate condition) the burden of colonialism is lifted, the government sets growth as the objective, the plans are drawn up, and the requisite resources are mobilized, growth and development should follow as the night the day. Only it has not.

To be sure, it is not hard to find grounds for encouragement. There has been staple growth of the classical variety in some of the oil-producing countries, specifically those with large deposits and small populations. More important, there are some instances of incipient but highly promising industrial growth. The best examples here are the East Asian little dragons (Hong Kong, Singapore, Taiwan, and Korea), but coming up behind are lesser beasties such as Thailand and perhaps Malaysia, and one should not overlook those awakening giants such as Brazil, India, or Turkey that have now passed from the Third to the Second-and-a-half World (or is it the First-and-a-half World?). Any repeated visitor to these countries can cite gains in the material standard of life, in the buildup of social overhead capital, in the provision of health care and welfare, in life expectancy.

But these achievements are not unmixed or unambiguous. Things may be better than they were, but they leave much to be desired, especially in those countries that are still in between. Just look at the morbidity data; or better yet, the people and the way they live.

[6]Compare in this regard the Soviet plans of the 1920s and 1930s and the Chinese plans of the 1950s and 1960s. (See Fureng Dong, 1988, pp. 235–36).

[7]One can read calculations (in effect quantified predictions) by economists and politicians of democratic republic X or ex-colony Y, newly launched on its populist path, showing it duly catching up with capitalist countries A, B, and C by the year 19.... (See, for example, Surendra Patel, 1962.)

Even the showcase examples give cause for anxiety. Take the new rich. Staples booms in wasting assets such as oil are of their nature ephemeral. Even while they last, they bring in windfall wealth that may or may not be a boon, depending on what one does with it. Economists have recently been wont to call this kind of problem the Dutch disease, after the disruptions to the Netherlands economy caused by the discovery of natural gas in the North Sea. But do not worry about the Dutch; they have always known what to do with money. Economic historians, I think, would prefer to speak of the Spanish disease, after the unhappy consequences of American bullion for the Spanish economy of the sixteenth and seventeenth centuries.

As for the instances of industrial growth, which are often cited as harbingers, they vary widely in character and scope. The evidence shows that industrialization has been a heavy and not always supportable strain on resources; that it has been a source of serious disamenities (pollution in particular, nowhere worse than in the Second and Third Worlds) that do not show in the income data; that it has produced societies that are deeply split between old standards and new, old ways and new (in some respect, things seem to get worse before they get better).

Much of this development, moreover, is externally rather than internally generated. It is based on a marriage of foreign capital and know-how (multinationals, joint ventures, offshore production) with cheap domestic labor. To be sure, capital has always been drawn to cheap labor, and much of early European industrial development can be accounted for in similar fashion. (This was particularly true of the diffusion of new technologies.) But such imports must be precarious and superficial until they are absorbed by the host society and converted into indigenous initiatives. Otherwise they remain a kind of industrial plantation.[8]

Finally, we should note that the growth experience is still relatively short, and this in countries where the fragility of political structures is an invitation to reversal. We should be cautious, then, in our conclusions.

And these are the winners. Against them one can cite a large number of examples of countries that are not keeping up, that are losing ground relatively and often absolutely, and this in spite of large inflows of capital and other resources. Some of this is obviously the consequence of man-made affliction: civil war; intertribal massacre; political mismanagement. But much of it is deeper and more enduring than the hazards of events. Sub-Saharan Africa and parts of Asia live day in and out with hunger, disease, and natural disaster so constant as to be endemic. Africa in particular, the region of most rapid population increase, is a heartbreaker, and there is as much reason to believe that its people are losing the battle for improvement as that they are winning it.[9]

VI

So the picture is mixed; to the point where it is now a commonplace to note that the Third World is a heterogeneous congeries of

[8]For this connection, see Jan Fagerberg:

Both this logic and the subsequent test point strongly in the direction of a close relation between economic growth and growth of national [indigenous] technological activities, a fact that is normally forgotten. Thus, to catch up with the developed countries, the results obtained here suggest that semi-industrialized countries cannot rely only on a combination of technology import and investments, but have to increase their national technological activities as well. [1988, p. 451]

[9]The region of most rapid population increase: the implications for growth and development are not necessarily negative. Population is like raw capital: its value depends on what one does with it. Used well, it can be an asset, an incentive to investment, the human material of industrialization. Used badly it can be a crushing burden, a seedbed of emergencies and hasty improvisation, a source of political instability. It would be unwise to prejudge these matters, but the historical experience does tell a very different story for Europe (and Japan, for that matter), where rates of growth were never so high (a third perhaps), where the birth rate in the most advanced countries varied in response to the demand for labor (i.e., jobs chased people); and where the areas of population surplus were able easily and legally to export people elsewhere. Europe effected its population transition during its industrial transformation. The Third World today is growing more populous in advance of development, and most rapidly in the regions of slowest development.

nations, rich and poor. Some of the distinction is based on the localized distribution of windfall staples wealth; some of it on real differences in the ability to absorb new technologies and grow. Whatever the source of the distinctions, one has the sense of a conceptual unity in course of dissolution. It is coming apart. Some countries are being "promoted," as it were, into the ranks of the advanced, industrial nations. Others are trying very hard and are still in midstream. Still others are for the moment getting nowhere.

In effect, we have the glass half-full, half-empty. Some would argue from success that all it takes is to get things right: wise policies; true prices. Others would argue from failure that getting things right is never an accident, and that some (many) may be condemned to persistent lateness and hence relative if not absolute failure.

What are the implications? Is it merely a question of optimists versus pessimists?

The question needs to be reformulated. We are talking about late development, of semi-industrial and preindustrial nations that want to catch up with a process of growth that began over 200 years ago. Well, does it make any difference to be a late developer? Or, to put it differently, does it pay to be late? (One proviso by way of circumscribing the question: I shall not concern myself with the losses in potential income incurred by lateness, i.e., by the difference between what has been and what might have been. Instead, I shall focus on the character and extent of the gains that follow on the inception of the development process.)

The conventional wisdom has always been that lateness is an advantage; that the gap between what is and what can be is a tremendous opportunity; that the follower country can profit from the experience and knowledge of its predecessors and avoid their mistakes; and that by mobilizing resources and allocating them energetically to the right uses, it will in fact grow faster than its forerunners. This was the argument made by Alexander Gerschenkron in his seminal articles of 1951–52 on "Economic Backwardness in Historical Perspective." Gerschenkron based his analysis on the European experience, on the comparison and contrast among Britain, Germany, and Russia in particular, and offered a "spurt" model of late growth.[10] He noted, to be sure, that such spurts, when driven from above (i.e., by the state), could impose a heavy burden on the population, to the point of exhaustion; hence the Russian pattern of alternating surges and collapses. But given good judgment and management, there was no reason why a follower country could not catch and even surpass its predecessors.

(And yet the European experience already gave grounds for pause. Russian growth was spotty, with large areas of persistent backwardness; and the experience of a socialist economy has only hardened this unbalanced pattern. Eastern Europe in general, in spite of advanced regions and local centers, was and remains a mixed story. The same has been true for Mediterranean Europe, where the more successful industrializers such as Italy suffered and indeed continues to suffer from dualistic contrasts in performance—and this in spite of extensive and deliberate efforts to promote the development of backward regions. We have in effect a pattern of incomplete modernization that has since become a commonplace.)

That was Europe in the nineteenth century. Some of the experience since then would seem to support the Gerschenkron thesis. Thus the high growth rates of such countries as Taiwan and Korea (7 and 8 percent per capita over a period of decades) show that it can still pay to be late. These are economies that have passed very rapidly

[10]Although himself politically conservative, Gerschenkron's spurt model has close similarities to the Soviet economic plans of the 1920s and 1930s and their ideological premises. Compare Stalin's emphasis on high-speed growth, on "overtaking and outstripping the advanced capitalist countries." "...the tempo must not be reduced. On the contrary, we must increase it...." The same for the 20th National Congress of the CPSU in 1961: "...efforts must be made to augment the industrial output by 2.5 times in the next decade and surpass the level of the industrial development of the United States." The same for Communist China, which aimed at "catching up with and surpassing Britain in the output of steel and other major industrial products" in 15 years or less. Similar parallels between the Soviet emphasis on heavy industry and the Gerschenkron model. (See the article by Dong, pp. 235–36.)

through an import-substitution phase to export-led growth, much of it in the newest, most technology-intensive branches. Who would have thought it possible?

On the other hand, the moderate success of others and failure of still more have led some to argue that lateness is now a growing handicap. The reasons for such a judgment are not far to seek:

1) The size of the gap. It is now a gulf and keeps widening. By the older paradigm, that only means bigger potential gains to change. On the other hand, the threshold costs are higher. Capital is not the biggest problem. Knowledge and know-how are more esoteric, even opaque, hence harder to come by. Two possibilities present themselves: (a) hire people; (b) train one's own people. The former is expensive, and the best usually have better things to do. So one makes do with less than best (LTB), which may be less than enough. The second is also expensive, not so much for the cost of training as for the permanent loss of talent. How ya gonna keep 'em down on the farm after they seen Paree, London, Cambridge, Berkeley, or what have you? Again, the best are the ones with the least incentive to return; again, one can settle for LTB, which may or may not be enough.

2) Staples are not what they used to be. The same technology that has produced this inequality of nations works to limit the market power of primary products by making them more substitutable. Take sugar, a commodity of unusual potency in economic history. There was a time, in the eighteenth century, when this luxury-become-necessity could provide the basis of French commercial prosperity and of the industrial growth of the western half of the country: fleets, ports, *fabriques*, all hanging on the cane crop of one island, Saint-Domingue. By the beginning of the nineteenth century, however, that was over: France had been cut off by war from overseas supplies and had learned to make sugar from beets; while other centers of cane cultivation had developed to replace what was now Haiti, lost to sugar and to France as a result of the world's first successful slave revolt.

One could tell similar stories about rubber, food crops, even rare minerals.

3) Lateness makes for bad politics. It creates uncomfortable pressures, which conduce to poor answers. This has always been true, but at one time these pressures were the exclusive concern of governing elites: the ordinary Frenchman of the late eighteenth or early nineteenth century was not aware of and could not have cared less about industrial and technological changes across the Channel. In the twentieth century, however, awareness has been enhanced by the demonstration effect, itself much reinforced by new media of communication; and political urgency has been aggravated by ideological conviction and commitment. Governments are expected to deliver, to their own members to begin with, to the populace thereafter.

Hence great haste, with much waste. Lateness is the parent of bad government. Economists have been quick to point to the adverse effects of bad government on development (indeed, some would call it the primary cause of development failure), but have said little about the sources of bad government itself, which they see as properly the matter of other disciplines. Yet bad government—or for that matter, any kind of government, good, bad, or indifferent—is not unrelated to economics.

(To be sure, some of it is: most of the Third World countries are new, inexperienced excolonial nations, inheritors of irrational, accidental boundaries and of immemorial tribal or ethnic hostilities; also of authoritarian imperial structures that often flout older tribal patterns of discussion and consensus and facilitate obstinate error and abuse; heirs also of capital installations that they were not always in a position to maintain [there is nothing so demoralizing and demeaning as decay and abandonment]. So historical accident has played a role.) (Compare George Ayittey, 1989.)

Government is clearly part of a larger social system that includes economic structures and relations. (Marxists, indeed, would go farther and say that it is the creature of class relations and interests.) Good government is not there for the wanting, or even for the knowing. It is not an act of will or fiat. It will not come about because someone appoints good counselors, even good econo-

mists—who may well be our students and who, like us, may or may not agree. (And even if they did, most politicians would say that business and the economy are too important to be left to the economists.) It takes time to create an effective, functional bureaucracy; also to establish a commitment to a larger national identity and purpose. European countries took centuries to do this; new nations have tried to establish the whole panoply of institutions in a matter of years or decades. It is no accident that the success stories of East Asia are of relatively homogeneous societies with a strong sense of historical and cultural identity.

For new nations, moreover, the process has been immensely complicated by the grievances stored up over years of subordination and humiliation; by egalitarian ideologies that deprecate private success while justifying public privilege; by the impatience to set things right and catch up...quickly, NOW; by the choice of the fast and meretricious over the slow and steady; by the ubiquity of the state, which distorts the reward pattern and makes it easier to get rich by politics than by industry, by connections than by performance; and by the interplay or private, rent-seeking interests that are only too quick to exploit these possibilities.

4) Misdiagnosis and mistreatment. There's nothing that succeeds like success, and conversely. Lateness ideologized is like a malady that invites, even seeks out, bad therapy.

When Gerschenkron wrote about this problem, he offered the undisprovable thesis that nations would leap the gap between backwardness and development when they were ready. Today, by one definition, every nation is ready; and when things do not work out, they do not console themselves with the thought that they have been untimely. Rather they look for villains, whom they characteristically find outside themselves. (They can hardly be expected to blame themselves; besides, it would be morally wrong to blame the victim.)[11]

I need not go into the detail of these alleged sources of failure. They are familiar to all of us: colonialism or neocolonialism, unequal trade, underdevelopment (a noun derived from a newly invented transitive verb, to underdevelop), peripherality, dependency.[12] There is some truth in all of these, and with will and good will, there is much that can be done to eliminate or mitigate their effects. On the other hand, they are more the symptoms than the explanation of development failure. There are few of these

[11]This pattern of explanation goes back to the earliest industrialization efforts of what we now call Third World countries. I'm thinking, for example, of what was surely the first push of its kind, that of Mohammed Ali in Egypt in the period from about 1820 to 1848. Mohammed Ali was determined to bring Egypt into the modern world by effecting an industrial revolution. To this end he hired foreign specialists, imported equipment that he had copied as well as installed, established schools to train a cadre of technicians and professionals —the whole project conceived in the largest terms on the basis of European models. But the society was not ready for this leap. Mohammed Ali was unwilling to pay the necessary premiums to attract voluntary wage labor. (The Europeans, facing similar reticence, found the answer in using women and children, the people who could not say no; but a Muslim society was severely limited in this regard.) He began by recruiting slaves and, when too many of these died, moved on to corvée labor. Forced labor is unhappy labor, and soon sabotage became a serious drain on productive capacity; the favorite instrument of complaint was arson. Machines lay idle for want of maintenance and lack of parts. The whole system was breaking down by the time Britain, in 1839, succeeded in defeating Mohammed Ali's military ambitions and imposed a trade regime that limited Egypt to a modest revenue tariff. No protection. Subsequent generations of Egyptian historians have wanted to place the blame for the Mohammed Ali experiment on this constraint.

[12]The last three of these doctrines have come to us from Latin America, which, because it has been independent for a century and a half, has a special problem with the common recourse to neocolonialism as an excuse for failure. The difficulty is compounded by nature's bounty: these are lands generously endowed by nature that were able as a result to achieve considerable staples growth. At the turn of the century, Argentina, for example, was widely seen as a nation of unlimited possibilities, destined soon to take its place among the richest in the world. A half-century later, however, it was clear that none of these countries had done much to convert these earnings into balanced growth, including industry, so that the years of "follow-up" and catching-up were still ahead.

alleged sources of backwardness, for example, that do not apply to Korea or Taiwan, both formerly Japanese colonies, both deliberately pastoralized by their rulers. And many of them apply to the British colonies in North America, even to the early American republic, and to Meiji Japan. All of them reflect circumstances of inequality that yield to sovereignty and to performance: make a better, cheaper radio, TV, watch, etc., and the world will be happy to do business with you on equal terms.

What's more, even if this bill of indictment were true, it would not pay to dwell on it. It leads to self-pity, myopia, and counterproductive policies. At the extreme, it would suggest complete delinking and economic isolation. Also, there is nothing so self-defeating as the transfer of responsibility and blame to others, if only because there are limits to altruism. After an initial surge of guilt, generosity wanes; it is a wasting asset. Indeed, the greater the benefit to others of unequal arrangements, the less likely they are to surrender them. The market, like God, best helps those who help themselves.

4) Cultural factors. Values are an especially thorny problem for would-be developers, partly because, insofar as they are an impediment to growth, they are strongest in "traditional" societies; and partly because they tend to be reinforced by economic failure. To be sure, economists do not like these. They lie outside the purview of the discipline, and they always seem to get in the way. (Historians, on the other hand, to say nothing of sociologists, have often cited them as explanations for exceptional economic performance in earlier periods [compare Max Weber and *The Protestant Ethic*]; or for Japanese achievements today.) They are often rejected as implicitly immutable, almost congenital (hence racist), although there is nothing to that effect in the argument. Or they are rejected for just the reverse, as epiphenomena that will yield easily to interest (in both senses of the word) and reason.

The truth, as so often, lies somewhere in between. Values and attitudes do change, but slowly, and their force and influence vary with circumstances. Many religious values operate, for instance, to impede the mobility and openness conducive to efficient allocation of resources and rational economic behavior. Worse yet, insofar as economic development entails changes in social structures and relations, vested cultural values, like vested material interests (they are in effect interests), can become a potent force for resistance, to the point of overturning governments and reversing the course of development. These setbacks, moreover, can be self-reinforcing, for the same cultural values that helped bring them about are also a precious source of consolation. The worse things get, the more the clock turns back, the more some people cling to what they know and feel and need.

VII

In the meantime, the struggle to pass from preindustrial to industrial, from "backward" to "advanced," goes on. By that I do not simply mean growth in income per head. That would be too easy. "Intensive growth," as it is sometimes called, can come about because nature has been kind, because new crops are more productive than old, because new land (including resources) becomes available, because relative prices change, because of outside developments and a free ride. But sustained growth is not possible without technological progress and gains in productivity. And that, history tells us, requires sooner or later the creation or assimilation of new kinds of knowledge and organization, which in turn depends on transformations within the society. External, enclave development will not do.

Such transformations require not only the absorption and adoption of new ways, but also, for many societies, the creation and acceptance of a new ethic of personal behavior. New ways demand and make new people. Time consciousness must become time discipline; the organization and character of work, the very relations of person to person, are transformed. These changes do not come easy. Historically they were often achieved by building on the more docile members of the society, the ones who could not say no, that is, on women and children, and that way creating a new labor force over a period

of generations. This is still true. They have been most readily effected in those societies, like the Japanese, which had already developed appropriate time and work values before the coming of modern industry.[13] Selection, then, is not a matter of chance or need or desire.

So the transition to modernity is necessarily a case-by-case process. Many try but few are chosen. Insofar as the transition is adventitious, superficial, or forced, moreover, it proves to be discouragingly fragile, at least in the early stages. (This is especially true of windfall staples growth: witness the experience of Cote-d'Ivoire.) Small wonder that development is full of mistakes and disappointments, or that what seems like a breakthrough often slows or aborts.

Which raises another question: if promotion is slow and if the gap between rich and poor keeps growing, especially for the hindmost, and with it the obstacles, do we not have to change the paradigm? Are we not in fact facing, not a general and inevitable life process of maturation, however protracted, but rather a partially stochastic process of selection with diminishing chances of success? As time passes, those most qualified make it; but those who do not make it lose ground and become less and less qualified. They are the hard cases. They may, like the poor of the Bible, always be with us.

Where does that leave us? We are not going to give up, for that would go against one of the deepest values of our civilization: the Faustian urge, indeed the need, to shape our destiny, and everyone else's. For their good, of course. As for those who are not moved by altruism, they should recognize that it is not in their interest to allow extreme differences to subsist. We want to, we also have to improve the condition of the laggards. In the long run, of course, it is cheaper to do so by helping them to help themselves, but in the meantime, we must do for them. (As the old proverb puts it, it is better to teach a man to fish than to give him fish; but the quickest way to put fish on the table is to put it there.) They may not catch up, they may continue to lag, but they can become much better off. So long as we do not succeed in this, as now for example, we shall find that they export violence and people (i.e., their substance) instead of goods and services.

There is a popular children's book called *The Phantom Toll Booth* (by Norton Juster) that tells the story of a young boy engaged in a heroic quest. Before he sets out, he is told that there is one thing he ought to know, but it were best he be told after his return. So the lad sets forth, accompanied by friends, and after terrible dangers returns with mission accomplished. At which point he is told what he should have known all along, that the task was impossible.

We have the task. It is ours as well as theirs. It is impossible. But we must act as if it were not, for the reward is in the trying. They must too, for more is better than less. It may no longer pay to be late, but better late than never.

[13]On the precocity of Japanese sensitivity to the efficient use of time, see Thomas Smith (1986). As early as the eighteenth century, instruction manuals for peasants, presumably literate, laid stress on the value of anticipation, preparation, and filling the temporal envelope.

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