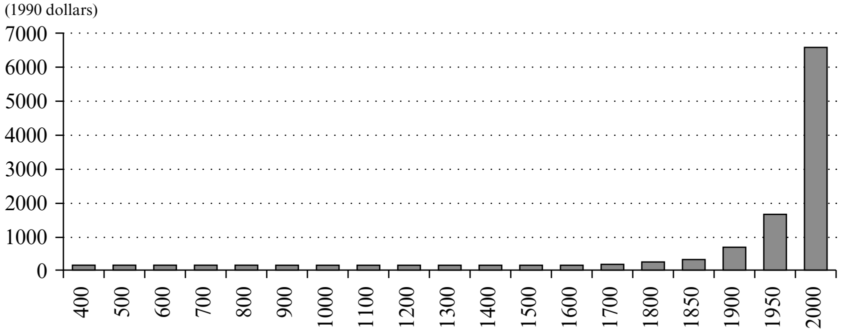
1. Introduction

1.1 THE ELUSIVE QUEST FOR ECONOMIC DEVELOPMENT

The British economic historian Angus Maddison, Emeritus Professor of Economic Growth and Development at the University of Groningen, the Netherlands, tells us that economic development is a recent phenomenon in the history of mankind. Although human beings have existed for at least 2.5 million years, economic development as we know it today is something that appeared only from around the 1850s (see Figure 1.1). But not all nations have been fortunate in achieving economic development. In fact, only a couple of dozen of the world's 200 or so nations today have actually achieved advanced economy status, while no fewer than a third of the 7 billion living beings on Earth remain locked in the grip of poverty. Moreover, within any country, whether viewed in any single year or across time, the differences between the rich and the poor are visible. Be that as it may, economic development, now perhaps the singular goal of every modern government on Earth, has remained elusive and highly misunderstood and misrepresented. Clearly, there are many mysteries about economic development that need to be solved.



Source: http://econ161.berkeley.edu/TCEH/1998_Draft/World_GDP/Estimating_World_GDP.html.

Figure 1.1 Average world GDP per capita, 400–2000

One can find an enormous number of commentaries that not only provide a wealth of statistical information on the economic performance of nations, but also provide anecdotal and historical accounts of economic change, for better or worse, in various regions of the world.[1] In this chapter, I highlight what I believe to be some important but often misunderstood characteristics of economic development. Doing so should remind the economics profession as well as the intelligent reader of how unrealistic are some of the myths that we have come to harbour over the years. Economic policy has been heavily influenced by the ideal constructs of a kind of nirvana world following various traditional, ideologically oriented development ideas of, for example, Marxism and socialism, that call for balanced development under a democratic ideology, which have ended in many unfortunately disappointing and unanticipated results. More recently, nearly the whole of the economics profession has come under the convention of unrealistic modelling by the so-called neoclassical growth school, which has adopted a descriptive, accounting analysis approach to economic science. Theory and policy are now detached more than ever, mostly because, on the one hand, theories have lacked reality from the standpoint of policy-makers of developing economies; and on the other hand, there has been an absence of a consensus regarding the theory for actual policy-making and implementation. Economics tends to settle on merely describing what development should be, for example, describing the conditions or states of a nirvana economy, but it essentially remains a normative science that is relatively mute about positive questions on development, namely, explaining the mechanism or questioning how in fact development is attainable.[2]

In the following, I make several observations that are characterized as myths and realities of economic development, which are later invoked in the arguments that follow in the discourse of the quest to build a General Theory of Economic Development.

1.2 MYTHS AND REALITIES OF ECONOMIC DEVELOPMENT

Myth 1: Economic development is achievable by all nations

Reality At least since the end of World War II, nearly all nations in the world have adopted some kind of development plan. Despite decades of careful planning, however, most have failed to meet their development goals and many have struggled to get even the very basics right. This has led the Peruvian diplomat and former Ambassador to the United

Nations Oswaldo De Rivero to write in his *The Myth of Development* (De Rivero, 2001) that the large majority of Third World countries are in fact only mistakenly called 'developing' countries. Many of these countries in Africa, Asia and Latin America, he argues, are not actually in the process of becoming newly industrializing countries (NICs), but are indeed non-viable national economies (NNEs); that is, feeble infant-states born out of self-determination or historical accident, completely void of economic and scientific progress. The bottom line is that economic development, in whatever its manifestation might be, is a pretty rare phenomenon.

Over the course of the twentieth century, whatever resources or aid poured into underdeveloped nations, corruption and poverty has been the result, where the general populace has failed to embrace the development mentality and spirit.[3] The challenge, then, is to find the right incentive mechanisms to place the development mentality and effort in the heart of everyone in the nation. Simply sending resources, technology and funds does not translate into national economic growth and development. The nation's 'can-do' or 'self-help' spirit is a vital ingredient towards business and economic success. In this regard, it is important to ask: 'What incentive structure is required to transform the people's mindset or spirits into the development-friendly mentality? And what institutional and policy reforms are required for this change?' These are the perennial questions to be answered by any serious theory of economic progress for the 7 billion humans in the world. Country-specific institutional settings, from the informal to formal institutions, have always featured strongly to determine whether the economic environment is friendly or unfriendly for development.

Moreover, it has been observed that leadership always features heavily in development. While economic development has been idiosyncratic, and thus country-specific, economics has been teaching a shopping list of general solutions for growth and development. Leadership has always been the critical factor to make the development idiosyncratic. However, economics does not inform us much about the nature of the successful leadership. Independent of national background, regions or peoples, development (or the lack of it) is intricately linked to the leader or group of leaders. Histories of nations have been made or broken because of leadership visions, decisions and strategies. It would therefore be most interesting to understand what distinguishes 'good' from 'bad' leadership. The relevant question is: 'What makes successful leadership for economic development?'

Myth 2: Economic development requires balanced growth

Reality Modern social democracies strongly advocate ideas of equality. Often, inequality is seen in a bad light, working against real social and economic progress. Despite the spread of democracy on a global scale in recent decades, economic performance has hardly been impressive. In contrast, the development experiences of some countries, particularly in the latter half of the twentieth century (for example, the Asian Tigers and China) clearly demonstrate that equality might not be an important precondition when it comes to economic growth and development. Much of contemporary literature on growth and development has treated balanced or equal development as a normative goal without careful positive analysis regarding its feasibility. Even when positive analysis is undertaken, the point of debate has been whether resources constraints would allow a balanced strategy or not,[4] while the issue of whether the nature of growth and development may be compatible with balanced or equal outcome has not been given due consideration.

Contrary to the warnings of many Western democracy advocates, history has shown that economic development and prosperity has indeed been possible under unbalanced growth and, more often than not, development has itself been intricately associated with imbalances in the economy.[5] Degrees of concentration of economic power to the economic agents usually differ, and rates of growth of firms are also varied, depending on their economic performance; and there are usually differences in their geographical location advantages or positioning, and other imbalances in individual economic agents, corporation, industry, universities, and so on. These are common differences in economic life, as well as a natural feature of development. Most economies experiencing rapid and condensed development of the East Asian type vividly exhibit this phenomenon of unbalanced growth, implying that economic development brings different degrees of improvement for different people depending on their respective economic efforts and achievements. Development is, simply, a very lopsided affair.

Myth 3: Inequality is a major obstacle to economic development

Reality People tend to favour economic equality over inequality. This is evident in the concepts of ‘balanced growth’, ‘inclusive growth’, and so on. Modern social democracy and so-called ‘revised capitalism’ tend to seek economically equal societies through balanced development. These all seem consistent with John Rawls’s prediction of the choice of equal distribution in a presumed original position under the veil of ignorance[6] which, furthermore, seems even more consistent with socialist ideology. But despite their intention and policy efforts, the world is facing unprecedented polarized stagnation consisting of growth stagnation and income polarization. And this has given rise to an even stronger ideology towards an economically equal society, in opposition to capitalism which is seen as causing inequality.

It is necessary to ask, however, whether we can expect better results from a strengthened redistribution paradigm. The answer this book arrives at, after lengthy enquiry, is a definite 'No'. A closer look shows that economic inequalities arising from differences in market performance are part and parcel of markets, as well as of government developmental policies deliberately favouring better market performers; these are among the most important issues raised in this book[7] and, as I argue later in greater depth, are a precondition for economic development. Economic inequality is a precondition for non-equal development, while economic equality is antithesis to development and will lead to equal non-development.

Myth 4: Economic policy should avoid ideological biases

Reality Mainstream economists eager to avoid political connotations in their work have often stressed that economic policy prescriptions, whether imported from foreign lands or produced within their borders, should avoid the biases of ideology. Rather, economic policy, it is often said, should be tested and accepted mainly by rigorous analysis and empirical testing. In what has culminated in the neoclassical approach, the Economics Nobel Prize winner Milton Friedman argues that economics can be made into a legitimate science rather than a warring set of ideologies.[8] But reality presents a different picture and it is not difficult to find examples of cases where the power of ideology has indeed shaped the course of a nation's achievements (and failures), including its economic development experience. Rather than avoid ideology, perhaps, nations will be better off recognizing its enormous influence and taking into account the significance of those institutions that are responsible for the genesis and diffusion of the prevailing ideologies. I feel strongly about this position, and argue that pro-developmental ideologies in the form of self-help, diligence and 'can-do' spirit, and non-linear interactive cooperation,[9] need to be emphasized if a nation is to have any hope of speeding up its development process. Any legitimate theory of development should be able to endogenize ideology along with the features of the resulting polity, as well as provide clues as to how to transform them if necessary.

Myth 5: Democracy is a precondition of development

Reality Not unrelated to Myth 4 regarding ideology, one of the most defining characteristics of modern history, particularly with the birth of the modern state in the eighteenth century and the collapse of communism in the late twentieth century, is the idea of democracy. It remains puzzling to many observers, however, that history also discovers that this beautiful idea of democracy does not guarantee economic prosperity and development. On the contrary, in a number of regions in the world, the economic development of non-democratic regimes has shown that significant economic progress is indeed possible without a democracy. Not only the early developed Western countries and Japan in the nineteenth century, but also the four Asian Tigers – namely Taiwan, Singapore, Hong Kong, and South Korea – and recently China in the modern era, have experienced rapid growth and development thanks to direct state intervention under relatively non-democratic regimes, rather than despite them. So, one is left asking: 'What is it about the institutions of democracy (and of non-democratic regimes) that make development possible or impossible? That is, what is the relationship of politics and economics with regards to economic development?' This is a central question that cannot be avoided in any genuine discussion of economic progress.

Another important reality, not unrelated to the democracy issue, is that given the disappointing twentieth-century experiences with only a very few successful development episodes, and the successful nineteenth-century experiences of most of the now developed economies, the visible economic take-off seems to be a feature of the nineteenth century. One may wonder what makes the relatively less democratic nineteenth century witness more visible economic development episodes than the twentieth century, but also why only a handful of non-democratic countries experienced economic development in the twentieth century. Is there any systematic tendency for the popular modern democracies to move towards economic stagnation? A perennial question in development remains: 'What types of political democracy or, more generally, what kinds of political regimes, will be development-friendly or -unfriendly?'

Myth 6: Prosperous neighbours are bad for development

Reality The world nowadays seems obsessed by the idea of economic equality, which is seen as originating in one way or another from the Marxian view of the world that sees the capitalist economy as a contradiction, in that the prosperous class exploits the less prosperous class in society. Such 'egalitarian' ideology has been the basis for the popular political regimes of social democracy and their egalitarian economic policy in the post-war period. One of the main messages of this ideology has been that because having a prosperous neighbour is bad for one's own development, there is a need to introduce socio-economic institutions which will help to reverse-discriminate against the prosperous class.

However, in reality, successful innovators, corporate firms, regions, universities, and so on, act as role models, assuming a position as leaders of the nation, society, economy, region, industry, education sector, and so on. Developing countries and non-developing countries exhibit distinct differences in the numbers and qualities of such role models or 'superstars'. In history, free-riding by latecomers on the success know-how of prosperous role models, by 'standing on their shoulders', has been a signature feature of the development process, implying that having prosperous neighbours is good for development. Of course, it is important that those who will benefit should be willing to take advantage of front-runners. Be that as it may, the process is applicable to individual agents, business corporations and economies, as well as to civilizations in general. However, this implies that in the 'game' of development, the prosperous class tends to be placed in a disadvantageous position compared to the follower, less-prosperous class, due to the free-riding by the latter on the former. Here, in fact, Marx has been placed on his head: it is not the follower class that is exploited by the leader, but the other way round. Hence, success is never everlasting because free-riding will exploit and eventually drive leaders into bankruptcy. This can be a threat to the development process, as developmental leaders may eventually be driven out of society and may disappear.

The egalitarian ideology from this perspective can be seen as a barrier to the development process, since it will put any economic leaders into a further disadvantageous position over and above the already disadvantageous naturally free-ridden position. Hence, dispelling the egalitarian ideology could be a prerequisite for sparking development in favour of promoting those members of society who help themselves.

Myth 7: Markets are the elixir of economic development

Reality Harvard Divinity School's Harvey Cox pointed out that it is not difficult to relate how economists view markets to how Christians view God.[10] By this he suggests that mainstream economists tend to have (at times blind) faith in markets as a kind of God and the ultimate cure for the problems of less developed regions. Given that markets are usually imperfect, if not altogether absent, in most underdeveloped regions of the world, it would be difficult for nations to rely on markets alone in bringing about economic development. In contrast, the Economics Nobel laureate Herbert Simon can often be heard stressing the importance of organizations as being even more fundamental to the economy compared to markets.[11] That is, it is markets that depend on organizations for their existence and functionality, rather than the other way round. We will see later that it is better to underscore their common functions for economic development, particularly with respect to their selection and reward of economic winners which act as the engines of economic development, while their modes of operations are fundamentally different.

Myth 8: Markets versus governments: should they compete against each other?

Reality Not unrelated to the Myth 7, much of the confusion about economic development also comes from one of the most defining debates of the twentieth century, that of markets versus governments. An interesting story of the struggle between the two titans can be found in Daniel Yergin and Joseph Stanislaw's (1998) best-selling book, *The Commanding Heights*. Essentially, the authors see modernization in the new era (after World War I) as spearheaded by globalization, free markets and free trade, immigration and exchange of information amongst nations. Broadly speaking, they acknowledge the defeat of the Keynesian influence especially since the 1980s, which has been overtaken by Hayekian ideas that essentially oppose government regulations.[12] Although the debate of markets versus governments has historical significance, it is dangerous to overemphasize its importance. Rather, a broader look at the role and function of markets (as a decentralized coordination system) and organizations (hierarchical structures in the form of firms and governments) in economic development reveals more important insights as to why economic development is possible despite differing opinions on the merits of markets versus governments. Rather than dwelling on which of them can do better for economic development, we will see that it is much more important to recognize what common functions of them are useful for development. In fact, both market and government are indispensable for growth and development.

Myth 9: Negative role of corporations in economic development

Reality Closely related to the previous Myths 7 and 8, one of the most curious traditions in the mainstream growth and development economics has been that the firm is always relegated to an appendix in championing the market or the government. The firm is treated simply as a producer or supplier in a perfect market model, and is dissolved into the factors of the production function such as capital, labour and technology in the neoclassical growth (accounting) model. There is no place in the theory of growth and development for the firm or, more importantly, the modern corporation as a complex whole, to play a developmental role. But reality gives a radically different picture. The modern corporation, the limited liability joint-stock company, has been the most distinctive feature behind growth and development of the capitalist economy as distinguished from the agrarian economy.

It is hardly a coincidence that the Industrial Revolution began as the combination of legal and economic institutional changes from the 1800s onwards, culminated into the creation of the joint-stock company in 1844.[13] The agrarian economy had fed all human beings by putting them on the land, and success or failure in life depended on how much land they had and how it was cultivated. They had suffered in the Malthusian trap for a long period of time. However, the capitalist economy took most of them away from the land and put them into the corporations. Now, success or failure in life depends on the fate of corporations which provide jobs; that is, on how prosperous the corporations are, as their employers. Most of the successful economies since the Industrial Revolution turn out to be those with relatively more prosperous corporate sectors, and this feature becomes even more salient in the modern era. Be that as it may, the economic literature has completely ignored the company's role in economic development. It is a challenge to understand why this has been the case, and to place the firm in its rightful place as the locomotive in the process of economic growth and development. Is it not more reasonable to call the capitalist economy the 'corporate economy' rather than the 'market economy', by going one step further beyond the 'organizational economy' named by Simon (1991)?

Myth 10: Industrial policy is unfair practice

Reality Global organizations have declared industrial policy to be unfair practice, while the debate of market versus government has still not been resolved. Nowadays it seems to be the case, without exception, that most governments in the world, regardless of whether they are developed or underdeveloped, have some form of industrial policy, despite the lack of any convincing theory for the policy's success or failure. Furthermore, successful experiences have rarely been observed in modern times, except for a few countries. However, it is even more interesting to find evidence of developed Western economies which actively pursued an industrial policy during their take-off period,[14] but are now eager to preach laissez-faire for latecomers under the name of the Washington Consensus. Moreover, the mainstream market-centric neoclassical approach remains antagonistic to industrial policy, even without paying due attention to what the success or failure factors are.

It is most useful to investigate what the success factors of industrial policy are, instead of just being involved in the all-or-nothing debate under the dogmatic addiction and adherence of the market-centric mainstream view or pro-government view. We should not be blind to either the merits or the demerits, and rather should try to develop a general understanding of industrial policy, as is done in later discussions.

Myth 11: Economic development is the accumulation of a nation's resources

Reality Mainstream economics teaches us about the production function, and how goods and services are produced by the efficient combination of economic resources. Development economists have for a long time found this simple formulation somewhat unsatisfactory, and can often be found arguing that mere efficient utilization of resources need not result in economic development. Development is a much more highly complex phenomenon. The eminent development economist Irma Adelman, for example, warns us that one cannot single out a unique factor that will guarantee economic development. More specifically, she argues that trade, education, capital, technology, management, and so on (what she terms 'factor X') cannot on their own serve as sufficient conditions for economic growth and development. Furthermore, note that Joseph Schumpeter's footnote on page 64 of his seminal work *The Theory of Economic Development*, first published in 1934, reads, 'Add successively as many mail coaches as you please, you will never get a railway thereby.'[15] This cleverly hints to the complex nature of economic development: the reality of something more complex, larger and beyond just the physical combination of coaches upon which mass transportation is built. Here, it could be argued that not just the mere combination of resources but, rather, the emergence of a new order is what constitutes development.

What some development economists now seem to agree is that the economic institutions can and do play a very important role in creating this new order, and hence development. The task here is to ask: 'What is it about institutions that gives way to a new order, or emergence?' From this complexity perspective, the discussions that follow start by investigating the complex nature of the development process, and move on to the issue of what institutions are good for the emergence of development.

1.3 STRATEGY OF THE BOOK

Let me make a few final points by way of a summary. Our understanding of the economic development process has been enriched by discussions among economists, political scientists, sociologists, policy-makers, and a host of other professionals and laymen alike, for over 200 years. There is hardly a shortage of theories and opinions, of course, which vary in terms of their scientific qualities and degree of objectivity. Despite this, there are some perennial questions that seem to demand urgent answers at the present stage of our history.

The traditional debate between the roles of markets versus government remains open and has in fact broadened. On the micro, functional and technical levels, the debate is still active regarding industrial policy which, however, seems doomed with no prospect of being settled in the near future in terms of theory and policy. In addition, the theory of the firm is still not fully integrated into the theory of economic development, being pushed aside by the 'importance' of markets and government. Moreover, on the macro, political economy and institutional levels, the debate has now settled on issues about the fundamental question of the *raison d'être* of the capitalist market system, which is seen as a contradiction because it creates economic inequalities, just as Marx argued, and questions have also been raised about the active role of the government in correcting economic inequalities.[16] However, demands for government action stem mainly from a desire to steer society towards economic equality, and not just to correct market failures. Be that as it may, it is interesting to see that the issue of economic inequality under capitalism remains popular despite the failures of the egalitarian system of the planned economies of the Soviet Union, communist China and other socialist bloc nations. There remains a pressing demand for social equality, as well as for the strengthening of welfare programmes, which, however, is also far from being settled. Even more, nowadays, balanced or shared growth as well as equal or fair distribution of income has become a mandate for democracy.

What is important to realize, however – although somewhat obvious – is the fact that economic development is a highly lopsided and uneven affair. Not only does economic development not happen to everyone and in every place, but it does not happen, if it does at all, equally across people, regions, nations and even over time. Also obvious, but too often ignored and sometimes too bitterly opposed, is the fact that the bulk of economic resources and benefits have always gravitated towards economically competent actors, regions and times. Simply put, controversial as it is, economic resources are attracted to better economic performers by definition, moving away from less competent and economically lagging counterparts and contemporaries. Of course, this is not to say that development is a permanent state of affairs. Rather, one is sure to find an ever-changing landscape where successful agents eventually fall and are succeeded by other aspiring upcomers, and history can be seen repeating itself over and over again, as implied by the proposition that development is the process of free-riding on the Tower of Babel built by the leader-pioneers (Myth 6).

In sum, issues about economic development have now become highly complex, ranging from the traditional theories and technical neoclassical growth models as well as functional issues of developmental players, namely, markets, government and corporations; to ideological and political economy issues of equality, balanced growth, fairness and democracy; and further to issues of leadership and people's mindsets, including 'self-help', and so on. These are challenging times for the economics profession as a whole, as it faces the demand for clear answers to these highly complex questions. This book does not shy away from giving answers to these perennial and often controversial questions, going beyond the existing paradigm of economic development theory by developing a new General Theory of Economic Development. In fact, if one is to try to answer these perennial questions, it is necessary to rethink the process of economic development per se, as mentioned for example in Myth 11: to widely open the mind so as to swallow anything useful for explaining development, regardless of whether that is under my God or your God or even Buddha.

At this point, it should not surprise me if the reader thinks this book has a 'mission impossible'. But I believe that I have a strategy to handle this challenge, by taking a pragmatic attitude to building a theory that is as simple as possible to explain as many real facts or observations as possible. The simplest of things can also be the most general. With this spirit in mind, this book adopts a multidisciplinary, holistic and inductive approach.

Above all, I ask the reader to bear in mind that the approach adopted in this book is unique, in that I have taken the liberty to borrow more or less freely from ideas from New Institutional Economics, evolutionary theory and complexity economics in trying to better understand the process of economic change and development. I hope that the justification for experimenting with such a heterodox approach when thinking about economic development will become more evident in the following chapters, as I discuss the recent contributions of such approaches to economic thinking about change and development. Some justifications for the heterodox approach are in order.

Firstly, this book adopts the complexity perspective as the basic framework for understanding the nature of development, because it can provide the key insights about the peculiar nature of economic development that are radically different from existing treatments. Chapter 2 looks at the complexity nature of development and deliberates on implications about what needs to be the necessary ingredients of a general theory of economic development.

Secondly, I utilize the New Institutional Economics (NIE) approach broadly to formalize the basic theoretical framework because it can incorporate as many factors as necessary to take into account the complex nature of development. The general theory should easily incorporate the evolutionary as well as complexity perspectives.

Furthermore, the new General Theory of Economic Development should also easily handle political ideology and the impact of politics on the economy, thereby becoming a basis for a positive theory of political economy by providing a choice theory of political ideology and political regime. In addition, above all, the general theory should easily deal with the institutional idiosyncrasy of economic development by incorporating the role of leadership and people's way of thinking as important institutions, as well as all the other institutional environments. This book asks what institutions are necessary for the emergence of economic development. Chapter 3 presents the NIE framework together with a brief critical review of existing theories of economic development.

Thirdly, I adopt a holistic approach throughout the book, because existing theories of economic development have usually been overly reductionist. To be consistent with the holistic approach, the empirical strategy of the book is to investigate the long-term pattern of macroeconomic growth trends rather than the detailed individual sectoral behaviours, because macro behaviours are the emergent pattern of individual sectoral behaviours. The strategy of long-term trend analysis is also consistent with the institutional approach, because institutional change usually takes a relatively long time, sometimes generations, to produce any visible economic impact. Furthermore, consistent with the inductive approach, the general theory in this book is thoroughly embedded in the facts of development. That is, it is 'fact-based' theory. Here, the factual consistency will be strongly emphasized, in which the facts are first, the theory is second, and policies follow. For this purpose, the main chapters for building the new theory start by reviewing economic experiences in development histories on which the general theory will be developed.

Chapters 4 and 5 review the economic development experiences of economies in the West and in Northeast Asia, respectively – what I refer to as extended and condensed development – explaining the signature features of successful development to be incorporated into the body of the fact-based new General Theory of Economic Development. The Northeast Asian development experiences of Japan, Korea and China, as well as the British Industrial Revolution that led Western economic development, are scrutinized closely.

Chapter 6 discusses the important role of the corporate firm in capitalism and economic development. With this chapter, I conclude the preliminary discussions, allowing Chapter 7 to bring in the new General Theory of Economic Development based on the concept of economic discrimination. Here I develop the 'holy trinity of economic development', consisting of markets, corporations and the government, as important institutions for economic development.

Chapter 8 analyses the role of the politics and political ideology as the supreme rule-setter for development. Chapter 9 concludes the book by countering the myths raised in Chapter 1, thereby ultimately making development economics face up squarely to the realities of economic development.

NOTES

1. See, for example, World Bank (1993), Robert Barro (1997), David Landes (1998), Amartya Sen (2000), William Easterly (2002), Elhanan Helpman (2004), Jeffrey Sachs (2005, 2008), and many others.
2. See Sen (2000) for further normative arguments.
3. See Easterly (2002) for many examples of the 'elusive quest for growth' through foreign aid.
4. In fact, some of the earliest development economic thinkers, notably Paul Rosenstein-Rodan (1902–1985) and Ragnar Nurkse (1907–1959), had emphasized balanced growth as the only viable way to solve the problem of underdevelopment. Others, however, including the eminent development economist Albert O. Hirschman, did not believe that the resources needed for a balanced growth strategy would always be available. Rather, Hirschman maintained that resource limitations that are particularly acute in less developed regions would necessitate prioritizing some areas of industry over others.
5. The early American development economist Clarence E. Ayres (1891–1972) even suggested that by deliberately unbalancing the economy and creating excess capacity in some areas, and thereby intensifying shortages in other areas, the pressures resulting would encourage substantial reactions that would speed up the development process.
6. See Rawls (1971).
7. Of course, inequalities from government intervention not based on economic contribution must be avoided, as this artificially creates sources for rent-seeking.
8. See Friedman (1953).
9. This phrase has a connotation that development is an emergent behaviour of complex economic systems resulting from synergistic interactions among people. To achieve development, it is better that the members of the society as a whole believe in a development-friendly ideology which helps to create synergy among them. In addition to the development-friendly spirit mentioned in the text, the belief in the ideology that having a prosperous neighbour is good for one's own development is very important development, as is discussed under Myth 6.
10. Cox (1999).
11. See, for example, Simon (1991).
12. While strongly in favour of this trend, the authors worry that globalization will not last. More specifically, they believe that the current trend will come under threat if inequality in economic growth remains high, and if the Third World is not offered opportunities and incentives to support capitalism. One reason why the authors place so much emphasis on narrowing economic gap is because they believe, following the many interviews they have conducted, that there is no ideological support for capitalism, and the current

system is supported only by the pragmatic fact that it works better than any other (so far). One of the aims of this book is to provide an ideology or philosophy of modern capitalism, as implied by the discussion on Myth 6.

13. Micklethwait and Wooldridge (2003) provide a lively account of the formation and history of the company.
14. Chang (2002).
15. Schumpeter (1974 [1934]).
16. See Mankiw (2013) for the current issues of economic inequalities.