

Dr. Ha-Joon Chang Highlights Role of State in Economic Development

Dr. Ha-Joon Chang, Member, Faculty of Economics & Centre of Development Studies at University of Cambridge has said that protection to the industries in developing countries does not guarantee growth. 'This will happen only when state ensures conscious investments in capability-enhancing activities – investments in machinery, training, and R&D.' He was delivering a lecture on "Rethinking the Role of the State in Economic Development" at Pakistan National Council of Arts (PNCA), Islamabad today.

The lecture, organised by the State Bank of Pakistan, was the 19th such event held as a part of Zahid Husain Memorial Lecture series instituted in 1973 in the name of its first Governor, Mr. Zahid Husain.

Dr. Ha-Joon Chang laid emphasis on the significance of the role of state in economic development beyond the conventional wisdom.

“Ramping up competition through liberalisation of trade and FDI is not enough for enhancing productivity. If the gap between the productive capabilities of the domestic producers and those of foreign producers is too large, those liberalisation measures can wipe out domestic producers, rather than make them shape up. This suggests that those policies should be calibrated according to the existing capability gap and gradually introduced”, he emphasized.

While pinning down the role of state, he pointed out that enhancement of productive capabilities require putting emphasis on exports, especially in developing countries. “This is because, given their technological backwardness, they need to import machines and technology licences from abroad, which in turn requires that they have enough foreign exchanges. But to repeat, this does not mean free trade – export subsidies (including government marketing support) and infant industry protection are needed for export success.”

Sharing historical experiences of many countries, he emphasized the need to take long-term perspective in devising policies. He observed that even with the most aggressive investments and efforts, capabilities could not be accumulated overnight. “Of course, taking a long-term perspective should not mean waiting forever for the ‘infants’ to grow up. Before government support is discontinued, it should be ascertained that the infants are growing up and, more importantly, making efforts to grow up through investment in capability building.”

While introducing the Guest Speaker, SBP Governor, Mr. Yaseen Anwar recounted numerous achievements of Dr. Ha-Joon Chang and said that Dr. Chang’s research areas include role of the state in economic change; industrial policy and technology policy; privatization and regulation; theories of institutions and morality; the East Asian economies; and corporate governance. Apart from being a consultant for World Bank, the Asian Development Bank and the United Nations, Dr. Chang has also served as a visiting faculty member to some of the most renowned institutions and universities in the world, which, include, the Institute of Developing Economies Advanced School, in Tokyo, Japan, the Korea Development Institute (KDI) School of International Development and Management, in Seoul, Korea, and the Department of Economics, at Korea University, in Seoul, Korea, among others.

“Dr. Chang is an academic par excellence, having devoted his life to understanding the problems that arrest economic development. He is known to approach development economics from a fresh and unorthodox, perspective,” he said.

Apart from scholarly work, Dr. Chang has written many books, most notably: *Kicking Away the Ladder: Development Strategy in Historical Perspective*, and *23 Things They Don’t Tell You About Capitalism*.

Mr. Yaseen Anwar also added: ‘Dr. Chang has also been awarded the “Gunnar Myrdal Prize” for the best monograph, by the European Association for Evolutionary Political Economy, in 2003. In 2005, he was also awarded the “Wassily Leontief Prize for Advancing the Frontiers of

Economic Thought". To add to his list of honors, in 2011, he was awarded the "Pony Chung Innovation Prize" by the Pony Chung Foundation, Seoul, Korea.

Speaking about Mr. Zahid Husain's contributions, SBP Governor said that during testing times after independence, Mr. Zahid Husain stood amongst the dedicated lieutenants of the Quaid-e-Azam, Muhammad Ali Jinnah, adding that "Mr. Zahid Husain's contributions to this nation have been unparalleled. Such was the strength and caliber of his character that Mr. Zahid Husain quite capably took on multiple challenges and tackled all of them." He pointed out that Mr. Zahid Husain was Pakistan's first High Commissioner to India, the first Chairman of Taxation Inquiry Committee, first Chairman of the Planning Commission Board, and the author of the first Five-year Plan for Pakistan. "We, at the State Bank of Pakistan, feel honored to have him as our first Governor, and hope that we can carry his legacy forward with same lofty ideals that he embodied," he added. SBP Governor said that such leadership commands respect and builds an incredibly solid foundation for any institution.

Justice (Retired) Nasir Aslam Zahid, the son of (late) Zahid Husain, the first Governor of the State Bank of Pakistan who presided over the function, highlighted the achievements of his father. He recounted the lofty principles of his father as hard work and not to make false statements in life. Mr Zahid also thanked the Governor SBP and all officers of SBP for their untiring respect to his father.