Source:

Summary:
Gerschenkron examines the development trajectory of late European industrializers (Germany, France, Russia) in effort to provide lessons for non-European late industrializers. Premised on the view that the "early" English model of economic development can no longer be replicated.

For late industrializers, industrializes depended on availability of opportunity (e.g., agriculture not too profitable) and removal of institutional obstacles (serfdom). Success of late industrializers depended on fast-paced, large scale, multi-sector industrialization using existing technology and industrial labor. In order to facilitate this type of late industrialization, modern banking, the state, and ideology played crucial roles.

German and French banks provided long term credit and management intervention that drove industrialization in these countries. The state in Russia, because of its history of military conflict, led economic development. State-led development went in fits and starts, entailed large upsurges that required government oppression, and resulted in stagnation following periods of fast growth. In all counties, some ideology was required to instill faith that "progress" was desirable, and capitalism was too uninspiring to provide this ideology, so socialism and Marxism substituted.

In sum, we can and do need to learn from the lessons of the 19th century development process, but we can't assume that they can all be translated perfectly into new places, since domestic conditions will inherently differ.

Outline:

Introduction

- Thesis: When "development" initiatives have been launched in developing countries, the have tended to unfurl in drastically different ways than they did in the so-called "advanced" countries.
  - Part of this reason was that there were different insititutional characteristics in place in the developing states.
  - Ideology also differs between industrialized and industrializing countries, and is not necessarily transferable.

The Elements of Backwardness
It is true that when some development initiatives have been launched in "backwards" European counties, the outcomes— in regards to speed, production and organizational structure— tended to vary when compared to the way those efforts developed in the countries in which they were originally successful.

- The focus of the paper is the industrialization of Europe— particularly England, France, Germany, and Russia.
- Some prerequisites for industrialization include: natural resources, the removal of barriers to industrialization. Once those are gone, we can the likelihood of development varies with the level of “backwardness.”
- Though it is often said that cheap labor is abundant in backwards countries, this isn’t necessarily the case because the labor isn’t skilled.
- Economies that have proven to be successful have been those that have adopted (or developed) the most modern types of production and had large-scale factories.
  - While some backwards countries may try to do this, they don’t have the skilled workforces to operate modern technology.
- Economic development in Europe has tended to emphasize “bigness”
- Some poorer countries can’t develop because certain industries require parallel developments: i.e. railroads and coal.

**The Banks**

- One of the main reason that France developed under Napoleon III was that there was a restructuring that saw the end of industries being able to essentially bribe weak states.
- The invention of French Credit Mobilier banks were important, because they were some of the first designed specifically to finance long term development and infrastructure projects like railroads and roads in a country. This new type of bank was revolutionary in Europe, and was copied by many other countries.
- Germany eventually took the notion of the Credit Mobilier banks and merged it some more traditional banks to create “universal” banks, that is, banks that provided financing for both long-term development projects as well as the old type of short-term commercial credit typical of pre Credit Mobilier banks.
- This new German blend was the best of both worlds, as it was financially more sound than Credit Mobilier banks, but also offered some assistance to industrialization.
- England, however, developed without these types of banks.
- Germany also developed thanks to its focus on heavy as opposed to light manufacturing.
- Another general trend was the focus on having very large industries.

**The State**

- Germany experience shared by many other European countries, but not all because:
1. Certain countries don’t have same features of industrial backwardness as Germany and just haven't yet developed.
- Denmark is an example of this type of country, which doesn’t show signs of developing, at least in regards to heavy industry.

2. Some countries are REALLY backwards and so had to use different means to develop.
- Russia is an example here.
- Russia was different than Europe in its backwardness because its perpetuation of the system of serfdom until 1861 and because its economy relied on its military prowess, which engendered certain distortions.
- Essentially, the economic backwardness of Russia and the rest of Europe was the same, but there were differences, like the lack of capital in Russia which meant that banks couldn’t arise, and therefore fund industrialization as they had in Europe.
- The policies that eventually got Russia to make money are those that actually worked in Germany and Europe, including the creation of banks, the focus on heavy industrial production and not light industry.

The Gradation of Backwardness

- Even though some countries became less backward on the whole, there are still elements of backwardness that endure.
- One example is Russia, which did develop, but also had new forms of backwardness to complement its new sense of development.

Ideologies of Delayed Industrialization

- Ideologies encouraging development are also important.
- One example is Saint-Simon in France, whose ideologies on industrialization of the French economy underlay, for instance, the creation of Credit Mobilier. As the author writes: “the creators of Credit Mobilier…liked to think of their institution as a ‘bank to a higher power’ and of themselves as ‘missionaries’ rather than bankers.”
- Marx’s ideas played a similarly important role in Russia.
- Frederich List’s economic ideologies played this role in Germany
- He insinuates that how backwards countries are seem to be has some relationship to the countries' population's ability to grapple with that backwardness in an attempt to change it.

Conclusion

- A few takeaway points include:
  - 1: It is probably correct that countries need to develop factories to be economically successful.
- 2. Therefore, when developing countries want to import new modern technology, large plants, and restructure their economies, we should understand that impetus not as "economic megalomania" but rather as prudent economic policy.
- 3. There is no singular way forward for development, since the domestic conditions will inherently differ within countries.
- Summary: We need to learn from the lessons of the 19th century development process, but we can't assume that they can all be translated perfectly into new places, since domestic conditions will inherently differ.

**Methods:**

- Historical analysis

**Critiques:**

- At fifty years old, it reads as very outdated in both ideas and methods.
- There is never an explicit statement of what Gerchenkron means by “backward,” which is a huge omission because it is a term that he uses over and over again.
- This feels somewhat ahistorically in that it treats the experiences of Europe and Russia as the only ones to be examined.