Book Review

Chang, Ha-Joon
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I first came to know of Ha-Joon Chang while reading *The Econocracy* (Earle, Moran, and Ward-Perkins, 2017), a book which calls for a paradigm shift in teaching economics and which cautions that economics is too important to be left to the experts. His name intrigued me, and I googled to find popular books written by him including *Kicking Away the Ladder* (2002), *Bad Samaritans* (2008), *23 Things They Don't Tell You About Capitalism* (2010), and *Economics: The User's Guide* (2014). These books provide a countervailing narrative to the usual popular books like *Freakonomics* (2006), *The Undercover Economist* (2006), *Economics in One Lesson* (2008), and *Excuse Me Professor* (2015). Chang's latest book *Edible Economics* (2022) crystallizes the narrative that he has developed through his popular books over the years. While he uses the imagery of food in this book to reinforce his narrative, I have reviewed the salient ideas as follows in a bid to draw out lessons I could share with my ECON 101 students.

In the introduction, Chang states that until the 1970s, pluralism was recognized in economics through diverse schools including Classical, Marxist, Neoclassical, Keynesian, Austrian, Institutional, and Behavioural. The "different moral values and political positions" of various schools were recognized, as was the idea that there is "no single economic solution" or that the solution is contingent on the circumstances and conditions of the economy (p. xx). However, since the 1980s, the neoclassical school dominated, which emphasized mathematics and ignored issues of inequality and power (p. xxi). This school has "normalized self-seeking behaviour" with the assumption of utility maximizing individuals and has reduced altruistic behaviour as based on "ulterior motives" (p. xxii). Chang notes that based on the assumption of self-interest, neoclassical economic theory creates a society where cooperation is difficult (p. xxiii). He adds that it promotes privatization where the market based on "one dollar one vote" overrules democracy based on "one person one vote" (p. xxiv). Finally, he pushes against the idea that economics is only for the "experts", as it is replete with "jargon, complex equations, and statistics" (p. xxiv).

In Chapter 1, he breaks negative cultural stereotypes stating that Muslim culture is not against development because it lacks social hierarchy, values trade, and emphasizes learning and scientific thinking (p. 7). Similarly, he counters the positive cultural stereotypes of Confucian emphasis on hard work, thrift, and education (pp. 7-8). He argues that Confucian culture valued philosophy and poetry over business and engineering for it looked down upon artisans and merchants (pp. 7-8). He adds that South Korea developed not because of Confucian culture but because of land reforms, upward social mobility, and government investment in science and engineering (pp. 9-10). Thus, it is not culture but policy that determines economic development (pp. 9, 11).

In Chapter 2, he states that the U.S. could not have become a superpower without slave labour, as cotton and tobacco farmed by black slaves constituted up to 65% of exports that allowed to import machines and technologies for economic development (p. 14). Likewise, Britain gained from slave labour by importing cheap U.S. cotton for textile factories during the Industrial Revolution (p. 14). Chang uses this example to argue that freedom for free market advocates is about economic freedom of consumers, corporations, and property owners and not the political and social freedom of workers to push for better jobs and the welfare state (pp. 18-19).

In Chapter 3, he dispels the myth that “poor countries are poor because their people do not work hard” (p. 23). He states that poor people in poor countries work much harder and longer than their counterparts in rich countries (pp. 24, 25). For instance, workers in Bangladesh and Cambodia work 60 – 80% longer than the Germans (p. 25). Additionally, poor people in poor countries start work from a young age and continue beyond retirement age. In contrast, people in rich countries start work later because of schooling that does not necessarily increase their “economic productivity” (p.25). Chang argues that poor people in poor countries are not poor because of low productivity but because the elites in their countries are unproductive (p. 26). This is because when such people immigrate to rich countries their productivity increases with access to better technology and infrastructure, which are lacking in poor countries because of “unproductive landlords”, “undynamic” business leaders, and “corrupt political leaders” (pp. 26-27).

In Chapter 4, he states that technology allows to overcome the restrictions of nature as in the case of Japan that overcame its lack of natural fuel through fuel efficient technologies (p. 37). He adds that primary commodity producers are threatened by inventors of synthetic substitutes and efficient producers, as rubber was transplanted from Brazil to Malaysia, tea from China to India and Sri Lanka, and chocolate from Latin America to Africa under colonialism (pp. 35, 36). Thus, he states that “capabilities through industrialization” overcome natural resource constraints (p. 38).

In Chapter 5, he draws a parallel between “economic development and child development” and argues for protectionism with the caveat that it needs to be weaned out just as parents gradually reduce protection as children grow up (pp. 43, 45). He gives the example of the Japanese government that used high tariffs, channelled bank loans, and banned foreign companies to develop advanced industries like automobiles and electronics instead of focusing on its then comparative advantage in silk and textiles (p. 42). Comparative advantage therefore is not static and therefore can be developed through “better machines, up-skilling workers and technological research” (p. 43). Finally, Chang states that contrary to popular understanding, Britain and the U.S. developed economically through protectionism and that East Asian economies of Japan, South Korea, and Taiwan also used “infant industry protection” (p. 44).

In Chapter 6, he states that the success of Hyundai Motor Company is not about individual brilliance of entrepreneurs but rather the multiple workers who worked long hours, mastered imported advanced technologies, made incremental improvements, and then developed their own technologies (p. 52). He adds that the U.S. government funded research in semiconductors, internet, the GPS system, touchscreen, and that without these technologies there would be no IBM, Intel, Apple, or Silicon Valley (p. 55). Thus, he dispels the myth that entrepreneurship and corporate success are about individuals (p. 55).

In Chapter 7, he highlights the issue of interlocking patents where minute pieces of knowledge are patented and therefore impede the creation of new knowledge (p. 59). Therefore, he argues for shortening the life of patents or alternatively to offer a one-off prize to inventors (pp. 60-61).

In Chapter 8, he critiques free trade, arguing that it was imposed by colonial powers through “unequal treaties”, which prevented “tariff autonomy” in subjugated countries (p. 71). Likewise, the WTO limits governments from regulating multinational companies (MNCs) and from instituting “local content requirement” on MNCs to buy a certain percentage of inputs locally (p. 73). Chang adds that the rich countries have made trade liberalization a “key condition for their financial support” and use their soft power through academia and policy think tanks to push developing countries towards free trade (p. 74). In contrast, Britain did not pursue free trade out of ideology but only when it became suitable. For example, Britain repealed the Corn Laws, as it allowed access to cheap grains that in turn facilitated paying low wages and therefore investment in manufacturing industries (p. 70).

In Chapter 9, he offers a nuanced perspective on MNCs, mentioning how they can negatively impact the host countries (p. 82). He mentions the role of United Fruit Company and Standard Fruit Company (respectively Chiquita and Dole today) in pushing coup d’état against governments that tried to raise taxes or strengthen worker rights (pp. 79-80). The benefits of MNCs materialize when they hire locally and buy from local firms instead of using the host countries for cheap labour for final assembly (pp. 82, 83). This explains why governments regulate MNCs through “local content requirement” and restrict MNC ownership to facilitate joint ventures (p. 84). Thus, Chang argues that the benefits of MNCs materialize only through public policy that ensures technology transfer and management techniques (p. 85).

In Chapter 10, he argues that neo-liberal policies that rest on the Washington Consensus policies of trade liberalization, deregulation, and privatization since the 1980s have brought slower growth, higher inequality, and financial crises (pp. 89, 94). Thus, Latin American countries pushed back against such policies by increasing welfare spending, increasing minimum wages, and strengthening labour unions (p. 91). However, their economic development was limited as they did push enough to develop high value-added industries to replace natural resource-based industries (pp. 91-92).

In Chapter 11, he argues that the welfare state alleviates insecurity under capitalism and makes capitalist economies more dynamic, as it reduces people’s resistance to technological change (p. 104). He adds that welfare benefits including pension, healthcare, employment insurance, and housing subsidies are not freebies as people pay taxes including value added taxes and sales taxes that burden the poor (p. 102). In contrast, corporations evade taxes through tax havens and pay less than the living wage, which makes the workers dependent on the welfare state (p. 102).

In Chapter 12, he argues that “treating people with different needs differently” is not special treatment but fairness (p. 107). He states that paying people according to their contribution is efficient, as it incentivizes people to “work hard, invest and innovate” (p. 108). This necessitates ensuring equality of opportunity (p. 108). However, Chang adds that equality of opportunity is not sufficient, and some equality of outcome is required, which allows people to have minimum capability to avail of the opportunity (p. 111). This means ensuring equal access to education and healthcare, instituting a minimum wage, redistributing income, and restricting speculation to lower inequality (p. 112).

In Chapter 13, he states that in a capitalist economy, care work is undervalued compared to its contribution (p. 117). In the market, value is determined by willingness to pay instead of need, and which explains that billionaires raced to space whereas nursing staff faced a shortage of protection equipment during the pandemic (pp. 118, 119). Thus, Chang argues that value should not be left to the market and that the marketization of care services should be restricted and regulated (p. 120).

In Chapter 14, he argues that both individual change and government action are required to address climate change (p. 133). He states that better technologies are not enough to address climate change and that lifestyle changes like using public transportation, investing in energy efficiency, and eating less meat are required (p. 130). Moreover, energy efficiency investment requires government subsidies and loans, and "greener eating" is not effective, as it requires processing lots of information on the carbon footprint of every food item (p. 132). He adds that markets and incentives are not enough to promote green technologies, as the private sector under financial deregulation is focused on short term results whereas the returns on green technologies are recouped over the long term (p. 131).

In Chapter 15, he mentions that financial deregulation has impeded shareholders from long term commitment to companies and instigated managers to focus on short term gains by raising stock prices through share buybacks and paying high dividends (p. 139). Thus, he argues for long-term shareholding, giving a bigger say to long term stakeholders like workers, and regulating against speculation in the financial market (pp. 139-140).

In Chapter 16, he states that apart from eliminating jobs, automation creates new jobs, as in the case of workers producing robots, and more jobs, as the prices of goods fall and demand increases (pp. 145-146). He adds that it is very difficult for workers whose skills become obsolete to retrain for a new job without government support (p. 148). Thus, he argues that government policy can help address the challenge posed by automation by offering subsidies for retraining and by creating more jobs, as in the case of the government mandating "higher number of workers per people" in education, healthcare, and senior care (pp. 146, 148).

Finally, in Chapter 17, he dispels the myth of the post-industrial economy where economic development is based on services instead of manufacturing (p. 153). He counters the stereotype of Switzerland as a country based on tourism and banking, stating that it is the most industrialized economy, as it manufactures producer goods like machines and equipment (pp. 153, 154). He adds that deindustrialization where the significance of manufacturing falls and services rises is due to increased productivity in manufacturing and services becoming expensive (pp. 153-155). Thus, he argues that manufacturing remains the main source of technological innovation and the most important determinant of a country's living standards (p. 155). Moreover, services like management consulting, engineering, and design do not exist without manufacturing (p. 155).

To recapitulate, the main ideas of Ha-Joon Chang can be distilled in point form as follows.

1. Neoclassical economics gives precedence to mathematics over real-world issues of inequality and power. It emphasizes markets over democracy.

2. Culture has elements both conducive and detrimental to development. Policy directs economic development, which then shapes culture.

3. Free market advocates focus on the economic freedom of consumers and corporations and not the freedom of workers to push for better jobs.

4. Poor people in poor countries are not poor because of low productivity but because the elites in their countries are unproductive, as they have failed to provide better technology and infrastructure.

5. Comparative advantage is not static and can be developed with temporary protectionism. Britain, the U.S., and East Asian economies of Japan, South Korea, and Taiwan, all used infant industry protection.

6. Entrepreneurship rests on collective efforts; interlocking patents impede technological progress.

7. Free trade is imposed on developing countries by advanced economies that used infant industry protection themselves.

8. The benefits of foreign investment materialize only when public policy ensures technology transfer and management techniques.

9. Neoliberal policies of trade liberalization, deregulation, and privatization have brought slower growth, higher inequality, and financial crises; the secret of economic development is to access advanced technologies and develop high value-added industries.

10. Welfare benefits including pension, healthcare, employment insurance, and housing subsidies are not freebies; they make capitalist economies more dynamic by reducing people's resistance to technological change.

11. People pay value added taxes and sales taxes that burden the poor, but corporations evade taxes.

12. Equality of opportunity is not sufficient, and some equality of outcome is required, which necessitates equal access to education and healthcare, instituting a minimum wage, and redistributing income.

13. The market does not value based on contribution or need; marketization of care services should be restricted and regulated.

14. Both individual change and government action are required to address climate change, as the private sector is fixated on short term gains.

15. Shareholders and managers focus on short term gains in deregulated markets; multi-stakeholder capitalism recognizes that workers have a long-term stake in the firm.

16. Policy can help address automation with subsidies for retraining and by creating good jobs based on higher number of workers per people in education, healthcare, and senior care.

17. The post-industrial economy is a myth; manufacturing is the main source of technological innovation and the most important determinant of a country's living standard.

18. Economics is not just for the "experts" with jargon, equations, and statistics; economics is for everyone.

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