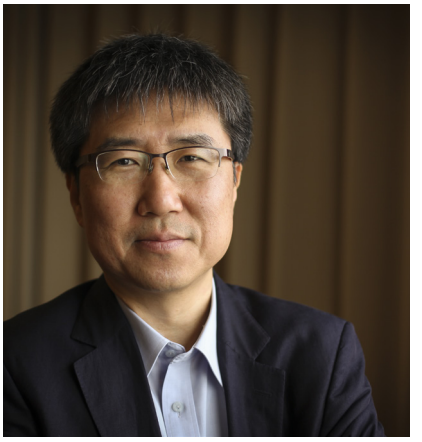
Reality is more complex than fiction: a conversation with Ha-Joon Chang[1]

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Ha-Joon Chang (7 October 1963, Seoul, Republic of Korea) is a leading development thinker. Combining rigorous scholarship, critical insight and intellectual eclecticism, his work is distinguished by an approach to economic development that brings together political economy, institutional economics and economic history to explain divergent development trajectories, structural change and the evolution of contemporary capitalism. True to his pluralist position and his pragmatism, Chang engages critically with a broad range of schools of economic thought, reworking their main insights to advance contemporary debates on development, industrial policy, globalization and productive transformation.

A member of the generation born in the years immediately following the start of the Republic of Korea's profound economic transformation, Professor Chang witnessed the consolidation of one of the most significant industrialization episodes of the twentieth century. This historical experience is among the principal foundations of his work and finds one of its most accomplished formulations in *The Political Economy of Industrial Policy* (1994), based on his doctoral dissertation at the University of Cambridge. Professor Chang's analyses reveal multiple points of convergence with the concerns that have historically defined ECLAC thinking. This convergence, which transcends the specific historical experiences of Asia and Latin America to encompass the shared development challenges of the Global South, found a particularly eloquent expression in *Kicking Away the Ladder: Development Strategy in Historical Perspective (*2002a). His research also includes the analysis of globalization, contemporary capitalism and the pluralistic dissemination of economics, which he discusses in *Bad Samaritans: Rich Nations, Poor Policies, and the Threat to the Developing World* (2007), *23 Things They Don't Tell You About Capitalism* (2010), *Economics: The User's Guide* (2014) and *Edible Economics* (2022).

In this interview, Professor Chang discusses the intellectual influences that shaped his development as an economist, his historical perspective on the development process, his assessment of the Republic of Korea's development trajectory and the lessons Latin America can learn from this; he also gives his views on contemporary debates about the multilateral trade and investment architecture.

[1] This interview was conducted virtually by Esteban Pérez Caldentey, Chief of the Financing for Development Unit at the Economic Commission for Latin America and the Caribbean (ECLAC), and Miguel Torres, Editor of CEPAL Review, on 19 June 2026. The views expressed in this interview are those of the interviewee and do not necessarily reflect the views of ECLAC. All footnotes are the editors'.

Professor Chang, what were the most important factors or events that led you to take up economics as a field of study and become a "worldly philosopher" (to use an expression of Robert Heilbroner's)?

I was born in 1963, at the beginning of Korea's economic take-off, and I grew up in the 1970s, when the economy was going through major changes that were both positive and negative. At the time, the economy was growing at 8%, sometimes 10%, in per capita terms.[2] New industries emerged constantly, drawing millions from rural areas to urban factories, which significantly improved living standards. While many positive changes occurred, this time was also characterized by considerable conflict and problems.

For example, while these individuals were eventually absorbed into the formal sector, the informal economy was initially immense. People lived in illegal settlements, and construction companies dispatched hired thugs to assault residents when they wanted to clear land for new residential developments. Meanwhile, factory workers toiled for 13 or 14 hours a day, six and a half days a week.

Some of these factories operated on such thin profit margins that they refused to serve soup in the factory canteen and denied workers toilet breaks. These workers were frequently beaten and abused. Even though the government was successfully developing the economy, it was essentially a military dictatorship. The atmosphere was very repressive. Even as a teenager, I could see so many big changes happening around me, and I just wanted to understand what was going on.

At the time, my father was working for the Korean Ministry of Finance. Like most of his colleagues, he was initially trained in law but took the civil service exam, to work in one of the economic ministries. The civil service exam offered three different streams: economic, diplomatic and everything else. He chose the economic stream and began working in the Ministry of Finance. He also took night classes to pursue a part-time Ph.D. in economics. At the time, very few people even knew what economics was, but my father told me about this subject, suggesting I might study it if I wanted to understand what was happening.

Unlike many successful fathers, he *didn't* try to push me into the career path that he himself had taken. Instead, he introduced me to the idea. He never tried to make me an economist or steer me towards government work, but he showed me the utility of economics in understanding the world around me. My life experiences, particularly living through one of the greatest economic and social transformations in human history, fundamentally shaped my decision to study economics. And the desire to comprehend the simultaneous occurrence of both positive and negative developments during that period is what ultimately drove me to pursue the subject.

You have mentioned that you decided to go to Cambridge University to pursue graduate studies because you "wanted to study something other than standard neoclassical economics. At the time, economics in Cambridge was very different from that in most other universities, especially for development economics" (Abdelrahman, 2019).

Did you feel there was a significant disconnect between the economics taught at the undergraduate level at the University of Seoul and the contradictions and transformations you observed in South Korea's economic and social situation during the 1980s?

To put things in historical context, Korea was a Japanese colony from 1910 until the end of the Second World War in 1945. As a result, many modern, Western influences reached Korea via Japan.

[2] The Republic of Korea's per capita GDP growth averaged 8.7% a year between 1970 and 1979, rising above 10% in 1973 (13.0%), 1976 (11.5%) and 1977 (10.6%) (World Bank, n/d).

The economic theories that dominated Japan at the time, and indeed until the 1980s, were not associated with neoclassical economics. The Japanese were strongly influenced by the German Historical School, including Gustav von Schmoller (1838–1917) and Werner Sombart (1863–1941), as well as Joseph Alois Schumpeter (1883–1950).[3] Schumpeter was so highly regarded that he was even offered a professorship at a Japanese university.

Most importantly, Marxism was a dominant force. The majority of Japanese economists until the 1980s were Marxists of one kind or another. Japanese Marxist economics was not highly politicized due to the constraints on revolutionary politics and remained very scholastic, yet it continued to dominate university economics departments.

As a result, when I entered university in the early 1980s, some of the older professors had been schooled in these traditions—the German Historical School, Schumpeter and so forth. While a few individuals still taught these subjects, any professor younger than approximately 50 years old was an American-trained neoclassical economist. Although the teaching of economics itself at the time was not as "orthodox" as it is now, it primarily focused on equilibrium economics and mathematical modelling.

My friends and I found it difficult to take our university's teachings seriously. While one of the most dramatic socioeconomic transformations in South Korean history unfolded around us, our professors taught systems in equilibrium and how they return to equilibrium after an external shock. They would often marvel at the elegance of the mathematical models they were teaching us, even though these seemed to most of us to be completely disconnected from reality. Consequently, many of us students began self-studying alternative economics. We delved into the less left-wing variant of development economics, exemplified by thinkers like Albert Hirschman (1915–2012) and Paul Rosenstein-Rodan (1902–1985), some of which our professors did touch upon.

Many of us explored dependency theory, which introduced me to CEPAL. We read works by Celso Furtado (1920–2004), Fernando Enrique Cardoso (1931–), Immanuel Wallerstein (1930–2019) and André Gunder Frank (1929–2005), as well as other more radical leftist dependency theorists. Several of my colleagues were captivated by revolutionary Marxism, leading them to interpret Karl Marx (1818–1883) and Vladimir Lenin (1870–1926) in unique ways.

Our study and reading of these alternative approaches were often disorganized, partly due to our youth and the lack of professors able to guide us systematically through these theories. I was personally driven to study them because I realized that standard neoclassical economics couldn't explain how economic development truly occurs, nor could it clarify why Korea was simultaneously experiencing both progress and challenges, or what the next 20 to 30 years might hold. I began searching for alternative programmes. At that time, even in the United States, there were still quite a few schools that hadn't fully embraced neoclassical economics.

Thanks to the New Left student movement of the 1960s, most major economics departments had at least one openly Marxist professor. These included Stephen Marglin (1938–) at Harvard University, Donald Harris (1938–) (the father of former Vice President Kamala Harris) at Stanford University and Thomas Weisskopf (1940–) at the University of Michigan. While I applied to those programmes, Cambridge University was my top choice because the more radical professors elsewhere were not development economists.

I wanted to study development economics from an alternative perspective, and I found that Cambridge University had economists like the late Ajit Singh (1940–2015), the Chilean economist Gabriel Palma (1947–), Peter Nolan (1949–) (a China expert) and John Sender (1942–), who focused on African economies. Cambridge University was my dream destination, and I was fortunate enough to be accepted and study there.

[3] The dates of birth and death of the economists referred to by Ha-Joon Chang during the interview were included by the editors.

You have also mentioned that a major principle taught at Cambridge was to think critically, question everything and stop hiding behind big names, so that you could develop your own thinking.

What exactly do you understand by thinking critically in economics? In the preface to the *General Theory of Employment, Interest and Money* (Keynes, 1936), J. M. Keynes talked about escaping from "habitual modes of thought and expression".

When I got to Cambridge University, it was quite a culture shock because, even though I tried to challenge in my own way the orthodoxy of the day when I was a student, the way we were taught to think was very uncritical.

This was partly because of the material conditions of the education system in those days. I was relatively lucky, as I went to a second-rate private school which had "only" 65 students in a classroom (the most exclusive school had an unimaginable 40 students per class). But the State schools nearby had 80, 100 or even more students in a single classroom. And many of these State schools had to run double shifts or sometimes triple shifts because there were many students and not enough teachers, and not enough classrooms.

Just think about having 80 or 100 kids in a classroom. How do you teach them? You must teach them everything by rote: "Just memorize it" was the most frequent answer to your questions. The teacher doesn't have time to explain. The teacher doesn't have the time or energy to look after individual students. The whole educational culture was very authoritarian. When I entered the university, my macroeconomics class had 700 students and the professor came to class with a microphone and amplifier, and there was scarcely any time for questions.

In that kind of intellectual environment, you are basically trained, consciously and unconsciously, to accept authority. If this is what the professor says, then it must be right. There is no time for debate or discussion.

There were some courses with relatively small numbers of students (say, 30 or 50) in departments like sociology and so on, in the smaller departments, where you might have a chance to have a bit of discussion and debate, but if you were studying "popular" subjects, like economics or law, forget it. You had to accept authority.

When I got to Cambridge, I had a bit of a shock, because when I wrote my essays and gave them to my professors, they said, "Look, who cares what John Maynard Keynes (1883–1946) said about this? Who cares what Karl Marx said about this? We want to know what you think."

And in the beginning, it was very difficult. I was afraid to say that I disagreed with Amartya Sen (1933–) or that Keynes was perhaps a clever guy but that he got some idea completely wrong. I was just culturally not programmed to think like that. But thanks to my professors at Cambridge, I was forced to develop my own opinion and have the courage to express it.

I think that training was excellent. It really made me think in a very different way. Over the 40 years I've been in academia, if you start counting from the time I received my master's degree, I have constantly tried to develop critical thinking in a more systematic way. And in the last 15 years, I have started explicitly advocating what I call economic pluralism.

This is the argument that all economic theories have strengths and weaknesses because they are built differently, they are intended to deal with different things, and therefore you need to learn all these different theories and apply them to the right questions. Moreover, it cannot be what the English call a "live and let live" kind of situation. It should be something more than that. There should be

what I call cross-fertilization of ideas between different schools. And in some cases this has already happened, the Marxists and Keynesians have interacted to create post-Keynesian economics.

I'm of the view that even what appear to be completely opposing schools of economic thought can have useful interactions. You might think that Friedrich Hayek (1899–1992) and Karl Marx are at opposite ends of the universe, but if you read them more carefully, they basically share the same views on certain things.

Maybe their ideas do not lead them to the same conclusions, but for example their view of competition is what I call the "Continental" (European) view, the idea, most clearly embodied in Joseph Schumpeter (1883–1950), that competition through increased efficiency and price-cutting pales into insignificance when compared to competition through technological innovation. I think it is in his book *Capitalism, Socialism, and Democracy* (1976, first published in 1942) that he says that, if price competition is like forcing a door in urban warfare, innovation is aerial bombardment.[4]

Hayek was, as a result, very abusive about the neoclassical notion of perfect competition. He wrote a series of articles in the *American Economic Review* in the forties and fifties saying that the neoclassical theory of perfect competition, by definition, rules out what we normally understand to be competition. He argues that perfect competition is essentially a state of paralysis because everyone knows everything and no one is powerful enough to influence reality. In short, nothing happens, and that's not competition.[5]

My view is that we need not only to learn about all these different schools of economics but to try to create new, more sophisticated fusion theories, if you like, by incorporating different schools of economics into the analysis. And I think that, when you take this pluralist position, you realize that ultimately many of the differences between different schools of economics are about politics and ethics. It's not only about how you conceptualize technological progress and how you theorize about competition. It's also about the rights of individuals, the rights of groups, the relationship between current and future generations, the potential contradictions between individual rights and the collective good. When you take this pluralist position and try to explain why these schools of economics are different, you get to appreciate that economics is basically politics and ethics. This is the reason why, before 1903, when Alfred Marshall (1842–1924) established the first undergraduate degree course in economics at Cambridge, economics was viewed as part of moral philosophy.[6] Having learned this critical approach to economics in my education at Cambridge, I have over time developed this broader methodological position about the importance of pluralism and the political and ethical nature of the subject called economics.

[4] In *Capitalism, Socialism, and Democracy,* Schumpeter (1976) wrote: "But in capitalist reality as distinguished from its textbook picture, it is not that kind of (price) competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest-scale unit of control for instance) —competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives. **This kind of competition is as much more effective than the other as a bombardment is in comparison with forcing a door**, and so much more important that it becomes a matter of comparative indifference whether competition in the ordinary (static) sense functions more or less promptly; the powerful lever that in the long run expands output and brings down prices is in any case made of other stuff" (pp. 84–85).

[5] Some of the main objections Hayek raised against standard neoclassical equilibrium analysis (such as that static equilibrium analysis assumes all agents to have the same objectively correct knowledge) are found in his collection of essays *Individualism and Economic Order* (Hayek, 1948a). See, for example, "Economics and Knowledge" (pp. 33–56), "The Meaning of Competition" (pp. 92–106) and "The Use of Knowledge in Society" (pp.77–91). See also Hayek (1978).

[6] In 1903, Alfred Marshall, the first Professor of Political Economy, established an undergraduate degree course in the then Faculty of Economics and Politics at Cambridge University. This eventually became the Cambridge Economics Tripos (a three-year course of study to obtain a bachelor's degree in economics). Marshall's *Principles of Economics* were published in 1890 (Marshall, 1890).

On your website (https://hajoonchang.net/), you list several economists who have influenced your thinking, including your Cambridge mentors, and you also cite an orthodox thinker like Friedrich Hayek (1948a), whom you have just mentioned.

Were you familiar with the ideas and concepts of the Economic Commission for Latin America and the Caribbean (ECLAC) when you were studying in South Korea or in the United Kingdom? While you were studying at Cambridge, ECLAC published one of its best-known documents, *Changing production patterns with social equity* (ECLAC, 1990), coordinated by Fernando Fajnzylber (1940–1991), who focused his research on productive development policies (these are defined in the next question).

When people ask me which three economists have influenced me the most, I tell them Karl Marx, and then many people are not surprised because they think I am a left-wing intellectual. But then I freak them out by saying Friedrich Hayek.[7] People just cannot understand it, because Marx and Hayek are at the opposite ends of the political universe, but there are some significant overlaps between their intellectual universes.

I must have read almost everything Hayek wrote, except for his theory of money and his other writings focused on macroeconomics, as I'm not a macroeconomist and therefore I am not so interested in that aspect of his work.

Of course, I completely disagree with Hayek's conclusions. I have serious problems with some of his methodologies. But I think he's a very, very profound thinker. In trying to criticize him in a coherent way, I studied him a lot and came to realize that his individualist economics was far more profound than the individualism of neoclassical economics, where individuals act like calculating machines. Hayek's view of individuals is not like that.[8]

The third of the economists who have influenced me the most is Herbert Simon (1916–2001), the father of behavioural economics. In terms of his political position, I'm closest to him. He wasn't too explicit about his politics, but he was basically a Social Democrat.

His theory about how individual rationality is limited, or "bounded" in his terminology, and how that affects the very way we individually organize our lives, how we build our organizations, how we create rules or institutions to regulate the interactions between individuals, interactions between organizations, interactions between individuals and organizations —that theory contains some of the most profound insights in economics.

Simon is hugely undervalued. When people think of great worldly philosophers, they think of Smith, Ricardo, Keynes, Marx, Hayek. But very few people talk about Simon.

That's my position. I try to learn from everyone. I can proudly say that I have studied the ideas of all the major schools of economics in some depth. And I think that, especially when the world is becoming so complicated and uncertain and so on, we really need to train our young economists in these diverse schools of economics.

In my university days, we read Celso Furtado (1920–2004). Raúl Prebisch (1901–1986) had not been translated into Korean, to my knowledge, but his work was widely accessible through the Latin American and development literature of that era. Later, at Cambridge University, thanks to my former teacher Gabriel Palma, I had the opportunity to delve deeper into Prebisch's writings and those of many other great economists working within the Latin American structuralist tradition.

In your written question, you mentioned Fajnzylber. I read his writings only much later. For some reason he went under my radar, and it was only in the late nineties, I think, that I came across

[7] See footnote 5.

[8] See, for example, Hayek (1948b, pp. 1–32) for Hayek's characterization of the individual agent.

his work. As a result, he wasn't as formative of my thinking as Prebisch and Furtado were, but of course he was one of the biggest intellectuals of the CEPAL tradition.

In many ways, Korea existed in a completely different universe from Latin America until recently, but the CEPAL tradition had a big influence in Korea without CEPAL knowing it.

Your research covers a broad range of areas but largely focuses on what ECLAC calls "productive development policies".

According to ECLAC, "these policies may be understood as horizontal and vertical efforts aimed directly at productive transformation, in other words, sophisticating, diversifying and producing virtuous structural change in the productive apparatus, as a vehicle for increasing productivity and thereby achieving more productive, inclusive and sustainable development" (ECLAC, 2024, p. 17).

What is your current vision of productive development policies (you may wish to focus on industrial policies)? I am thinking of some of your more recently published papers, which focus on human capabilities (Andreoni et al., 2021a), digital industrialization (Andreoni et al., 2021b), industrial policy in the twenty-first century (Chang and Andreoni, 2020) and Asian industrialization (Chang and Zach, 2019).

The reason why I study economics, now as when I set out, is to use it to understand the real world. In the last 40 years, my thinking has changed a lot in response to changes in reality. But I think the same core principles still hold.

The first one is that, to develop your economy, you need to develop productive capabilities.

The second one is that manufacturing is still the key to economic development. That's where most of the innovation occurs. There are high-productivity services and agriculture, but when you look behind the curtain, all these activities become productive precisely because of technologies provided by the manufacturing sector. The manufacturing sector has always been at the heart of productive —and capitalist— development.

The third point is that for developing economies to develop productive capabilities, they need some degree of what is commonly known as infant industry protection. You just cannot start getting into high-productivity sectors if you have free trade from the very outset.

Let me give you an example. In 1976, South Korea started its own auto industry. Prior to that, Korea was assembling imported kits from Ford and Fiat and other foreign companies. In 1973, the government announced that the country was going to have its own auto industry. Any company that did not have a car of its own design was going to have its licence revoked. So, from 1976, three Korean companies, one in a joint venture with General Motors, started producing their own cars.

And that year, the biggest Korean car company, Hyundai, which is now the third-largest auto manufacturer in the world after Toyota and Volkswagen, produced 10,000 cars. By comparison, the same year, Ford produced 1.9 million cars. General Motors produced 4.8 million cars. Had free trade prevailed in the automobile industry at that time, Hyundai and all the other Korean car companies would have been wiped out overnight.

So just imagine if I took a time machine back to 1976 and addressed a room full of potential investors and told them, "Look, there is this two-bit car company in South Korea (which at the time was a lower-middle-income country) currently producing 0.5% of what Ford produces, and 0.2% of what General Motors produces, but give it just over 30 years and you will see that it will grow into a bigger company than Ford, and in less than forty years, it'll be bigger than General Motors. So please invest in this company." Would anyone have invested in Hyundai? No, I don't think so.

But that is what happened. Hyundai has been producing more cars than Ford since 2009 and more cars than General Motors since 2015. But to make that happen, the South Korean government had to ban the importation of all foreign cars until 1988. It banned the importation of all Japanese cars until 1998. It channelled huge amounts of subsidized loans from State-owned banks to finance companies in the automobile industry, and of course did similar things in other "strategic" industries such as steel, shipbuilding and electronics.

I'm not saying that every country should get into the automobile industry. I'm not saying that every country should do what South Korea did, but you need something like that. And in thinking about industrial policy and about the design or rather redesign of the global economic system, you must always bear that in mind. It is impossible for developing countries to get into these high-productivity sectors without some period of protection, subsidies or both. The exact amount and the duration and the combination of different tools must be different according to the specific situation of the country, and according to the specific situation of the industry. But the principle must be accepted.

South Korea is generally portrayed as a development success story. Available data from the World Bank (n/d) show that South Korea doubled its per capita GDP (calculated in constant 2021 dollars at purchasing power parity) between 1990 and 2002 and doubled it again between 2003 and 2024.

What are some lessons from South Korea that in your opinion would be relevant and applicable to Latin America (or the Latin American countries with which you are familiar).

South Korea is a great success story on one level, but it has lots of problems. It has a shameful record in many areas, basically because it has failed to transform itself from a developing economy into an advanced economy, which requires different kinds of social arrangements.

South Korea has the lowest birth rate in the world. This is the result of a combination of different factors. They include reduced social mobility, which makes people less hopeful about the future; poor provision for childcare; disadvantages for women at work if they have children, because working hours are inflexible and they have to pick up their children, or because they have to take long maternity leave, which companies don't like; and very high educational costs.

South Korea also has the highest suicide rate in the OECD. One of the main contributing causes is the relative poverty of senior citizens —South Korea has the highest old-age poverty rate in the OECD too— because of the tiny pensions they receive. A number of these older adults decide to commit suicide to avoid being a burden on their families.

The problem is that we have been very successful at economic development, but we have not been very good at social development.

In the old days, you didn't need a welfare State. Because the economy grew strongly, at 8% to 10% per year, there were lots of new jobs, and usually better jobs, being created. So, if you lost your job, you could find another one very quickly. And, especially in the early days of economic development, the skill requirements of jobs were not very demanding, which facilitated labour mobility.

But now the economy is not growing very fast. The past two years have been an exception: South Korea has had very rapid growth because there has been a huge boom in artificial intelligence investment in the United States, and South Korea is one of the main suppliers of semiconductors. But in the previous 10 or 15 years, we considered ourselves lucky if per capita income grew at 3% per year. This has limited job creation.

Moreover, skill requirements are more demanding today. For example, if you lose your job in shipbuilding, it is not easy to retrain as an engineer to work in a semiconductor factory. As a result,

we have a greater need for unemployment insurance and similar programmes. Until the 1990s, South Korea's social spending as a proportion of GDP was around 3%, partly because you didn't need so much support. Most importantly, the traditional extended family was still intact and acted as a quasi-welfare State, although of course this relied on huge sacrifices by and repression of women.

Now things have changed. The extended family is gone. Now we have a much bigger need for a social welfare State, and our welfare State is still literally the smallest among the rich countries and smaller than that of some developing countries. Chile has a bigger welfare State than South Korea.

This is a preliminary but very important point to get out of the way before I turn to the core of the question, which is Korea's economic policies. I think they differ in three main ways from those followed by Latin America.

The first relates to exports. The story of economic development in Latin America is, on one level, the story of a struggle between the desire to invest and develop and the inability to generate sufficient export earnings. If a developing country wants to develop, it must invest, for which it needs sufficient foreign exchange to import machinery and technology from richer countries since, by definition, it does not produce these itself.

Time after time, Latin America has experienced periods of growth that it cannot sustain due to a binding foreign-exchange constraint. And this has been one of the major themes of Latin American structuralism: how do you bridge the foreign-exchange gap?

Fajnzylber and Prebisch, especially later in his life, very much emphasized the need to develop the capacity to export manufactured goods. The theory was there. Unfortunately, it was not fully implemented, so Latin American countries kept hitting this balance-of-payments problem.

In the early to mid-1980s, Brazil, Argentina, Mexico and South Korea were the four largest foreign debtors in the world. South Korea survived that period because it had much stronger export capabilities, especially in the manufacturing sector, than the Latin American countries. The Korean government knew that if it couldn't repay its foreign debt, it might have to halt its development effort. It therefore invested a large portion of the borrowed funds in building export industries. It also granted a lot of export subsidies and sometimes even demanded that firms getting government support (such as trade protection or subsidies) export upwards of a given proportion of their output. Thanks to this stronger export performance, South Korea didn't have to default on its debts, even though these were almost as large as those of the Latin American countries. In contrast, Latin American countries were devastated, first by debt default and then by IMF and World Bank structural adjustment programmes. At the time, Korean export industries were rather basic, making products such as textiles and garments.

South Korea had an export promotion agency, KOTRA (the full name was the Korea Trade Promotion Agency until 1995, when it became the Korea Trade-Investment Promotion Agency), which had offices in many countries, including countries with no diplomatic ties to South Korea, and which helped Korean exports enter new markets. Besides this focus on export promotion, the government implemented controls on the importation of luxury consumption goods that were not essential for economic development.

A second difference is that South Korea always maintained high levels of investment relative to Latin America. To put it in the terms of classical political economy, the proportion of the surplus directed towards productive investment was much higher in South Korea than in Latin America, reaching levels of 36% to 37% of GDP. Even now the ratio of investment to GDP in Korea is of the order of 30%, while the investment ratio in Latin American countries is much lower.[9]

[9] In the past 10 years, the ratio of gross fixed capital formation to GDP has averaged 31% in South Korea and 19% in Latin America.

The third difference is that in Latin America, compared to Korea, there was never enough emphasis on developing domestic productive capabilities. Some countries in Latin America made an effort to attract foreign investment in advanced industries. There was the case of Auto Latina, a joint venture between Volkswagen (51%) and Ford (49%) that operated from 1987 to 1995 in Brazil and Argentina. However, there were not enough policy incentives to induce these foreign companies to create domestic supplier networks and train workers.

In Korea, by comparison, there were fewer joint ventures with foreign companies than in Latin America, but insofar as there were joint ventures, they were subjected to conditions regarding technology transfer, worker training, localization and the use of local content in production.

Although linkages between investment, exports and the creation of domestic supply networks existed in Latin America, they were not as strong as in South Korea, and this was a disadvantage.

It is not a question of levels of protection. South Korea had very high levels of protection at least until the eighties. But it is not protection or subsidies or whatever individual industrial policy tools are used that create this virtual feedback loop between investment, exports and capability-building. It is the strategic coherence and synergy between different policy tools.

Kicking Away the Ladder: Development Strategy in Historical Perspective (Chang, 2002a) is your most famous book.

In the eighteenth and nineteen centuries and earlier, economies that are now industrialized used a combination of interventionist industrial, trade, educational and technology policies to foster the development of their own incipient industries so that they could catch up with the most developed countries of the time and become globally dominant (Chang, 2002a, 2007; Chang and Gersham, 2003).

Some developing countries also implemented similar developmentalist policies, but their impact was limited, and these countries were unable to achieve their overall development goals. In Latin America, for example, these policies began to be implemented in the nineteenth century and focused on the protection and promotion of domestic industry, the protection of major export sectors and the construction of railway systems to integrate domestic markets. Other policy objectives included fostering immigration and colonization and widening and improving access to education and healthcare.

Do you think that developmentalist policies in developing countries have (or have had) limited impacts? And if this is case, why?

Let's track back a bit in history. When Latin American countries became independent between the 1810s and 1830s, the European powers —the British, the French and the Dutch— imposed what were in those days known as unequal treaties.

These are treaties between two countries whose content favours one of the countries disproportionately. The most famous example of an unequal treaty is the Treaty of Nanjing (1842), which China was forced to sign with Britain and other European powers after its defeat in the First Opium War. It forced China to lease territory to the European powers, so Hong Kong was basically taken away from China by the British, and Shanghai had this area called The Bund that was divided up between the Germans and the French and the British and which became foreign territory inside China. The Treaty forced the Chinese government to make a lot of concessions on mining and logging royalties and, most importantly, deprived China of the right to set its own tariffs.

However, this type of treaty was not invented for China. Unequal treaties were originally invented for the Latin American countries. All the treaties that the Latin American countries had to sign upon

independence between the 1810s and the 1830s were unequal treaties. Latin American countries were forced to have low and uniform tariff rates for revenue purposes only (ranging from 3% to 5%, depending on the country). These flat rates could be applied to all imported products to generate government revenue but could not be used for industrial policy. For example, there was no possibility of combining free trade in textiles with a tariff of 30% on machinery and tools.

When the treaties expired in the 1870s and 1880s, the Latin American countries were freed from this constraint and immediately raised tariffs to create space for infant industry. In the following period, the average industrial tariff rate in Latin America ranged between 30% and 40%. This policy encouraged foreign investment in infrastructure, and bonds were issued to attract European money into railway-building in Argentina and in other parts of Latin America.

During that period, the Latin American countries had the fastest-growing economies in the world. According to the economic historian Angus Maddison (1926–2010), between 1870 and 1914, per capita income in Latin America grew at an average rate of about 1.8% per year. At the time, the only other region that had that rate of economic growth was what Maddison calls the Western Offshoots, the United States, Canada, Australia, New Zealand. Even after the Second World War, Latin America was still a very fast-growing region (1.4%).

I would say that that initial model of economic development combining some degree of protectionism with an invitation to foreign investors to build mainly infrastructure, though not only that, was quite successful. In comparative terms, economic growth in Asia during that period was basically zero.

During that century, the Asian economies were basically all colonies or subject to unequal treaties, like China or Thailand, and consequently did not fare well. So the initial model adopted by Latin America was quite effective. I think the problem is that the Latin American economies failed to move to the next level.

Initially you have some degree of protectionism that creates basic industries to supply the domestic market. You invite foreign investment in infrastructure so that you can export your agricultural products, export your copper, export your beef. But then after that the region should have had a more deliberate strategy to develop more advanced industries, which didn't really start until the 1950s.

And then in the fifties Latin America did experience a wave of developmentalism, exemplified by the policies pursued by Juscelino Kubitschek (1902–1976) in Brazil and Juan Domingo Perón (1895–1974) in Argentina. This period is commonly known as the import substitution industrialization (ISI) period.

In the period between 1960 and 1980, which was the height of import substitution, per capita income in Latin America grew at an average of 3.1% per year. This was lower than in countries like South Korea and Taiwan, which achieved around 6% growth in per capita income. But it was higher than the historical average for Latin America or the rest of the world.

Most importantly, it was much higher than the rate achieved following the implementation of the Washington Consensus in the 1990s. Between 1980 and 2020, the average rate of per capita GDP growth was only 0.7%.[10]

I think it is a myth that Latin America performed poorly in the 1960s and the 1970s. It's one thing to argue that import substitution policies during this period were suboptimal, especially when compared to East Asian economies. However, it's quite another to claim that this was a period of unmitigated disaster and that Latin America is now performing better, particularly when the GDP growth rate is currently one quarter of what it was during that supposedly "bad" period. A more objective assessment of the successes and failures of that period is needed.

[10] The rate of per capita GDP growth between 1980 and 2025 was 0.9%.

You have argued that the multilateral trade and investment architecture —including WTO rules, bilateral investment treaties, investor-State dispute settlement mechanisms and trade-related investment measures— has restricted the policy space and autonomy of the Global South. This limitation stems, in part, from the failure of the mainstream trade paradigm to acknowledge the environmental, social and political consequences of the global project it has inspired and supported.

To overcome this constraint, you have proposed a new international economic order for the twenty-first century. Could you tell us about the main elements of your proposal? What are some of the constraints it might have to overcome to be successfully implemented?

In 1974, the developing countries, meaning the G-77, put forward a proposal for a New International Economic Order (NIEO) which argued that the international system was still too biased against developing countries. Of course, this must be put into perspective. Compared to the days of imperialism and colonialism and unequal treaties, the post-Second World War period was much, much better for developing countries because at least their sovereignty was recognized. They had greater policy space than in the past.

It is important to give credit where credit is due. For the first time in history, the hegemon, the United States, voluntarily relinquished some of its power to create this multilateral system, which was initially quite accommodating for developing countries. For example, in the realm of international trade, the General Agreement on Tariffs and Trade (GATT), which was founded in 1947 and determined trade relationships until the launch of the World Trade Organization (WTO) in 1995, was a plurilateral agreement. It lacked the "single undertaking" concept that is at the heart of the WTO, allowing countries, especially developing ones, to sign up only for commitments they believed they could afford.

While a relatively decent system, it proved insufficient to promote the development of developing countries. As a result, this group of countries called for a new code of conduct for multinational corporations. They sought more restraints on these corporations in view of the asymmetry in bargaining power and felt there was insufficient recognition of their sovereignty over natural resources. Many forests, mines and other natural resources were still owned by former colonial powers.

The initiative to create the NIEO was completely derailed in the 1980s when the widespread debt crisis forced many countries to sign structural adjustment programmes with the IMF and the World Bank, effectively pushing them in the opposite direction. After the launch of the WTO in 1995, the room for manoeuvre of developing countries was reduced yet further. The outcome was, as I have already pointed out, a collapse in economic growth in those developing regions that followed the orthodox recipe most diligently, like Latin America and Africa, especially Sub-Saharan Africa.

However, things have changed rather a lot recently. With the rise of China, the United States and the European countries are now openly conducting selective industrial policy. This indirectly proves my "kicking away the ladder" thesis again, as it shows that the developed countries' adherence to free trade was only for their own good rather than being intended to apply some kind of timeless principle or benefit developing countries.

But another important change is that when the NIEO was called for, very little economic power was actually possessed by developing countries, or the Global South, as many people call them these days. Not one single company based in the Global South was part of the Fortune 500 list, whereas today about one hundred and fifty are.

In those days, there was no multilateral financial institution controlled by the Global South. Today there is the Asian Infrastructure Investment Bank (AIIB), the New Development Bank (the so-called BRICS bank) and the Development Bank of Latin America (CAF). Unlike the earlier regional banks

such as the Asian Development Bank (ADB) or the Inter-American Development Bank (IDB), these new banks are controlled by the Global South. There's no American veto there, there is no majority held by the rich countries.

And then South-South trade has grown enormously. This is due not only to China but also to the increasing interactions between developing countries. Material conditions are now more conducive to a more aggressive push by the Global South for a new international economic order.

I think the basic principle at the core of a new international economic order should be what I call asymmetric protectionism. This means recognizing that all countries need to be able to apply some degree of protectionism, but that the more economically developed you are, the more constraints there should be on the types of instruments allowed and on how extensively and for how long they can be used. There is no justification for having the same rules for countries that differ vastly in income levels, productive capabilities and financial fragility.

What advice would you offer to young economists currently being trained at universities in the region and around the world, drawing on your expertise as a leading development economist?

I would basically emphasize three things.

First, we need open-mindedness. This links back to my earlier point about the need for pluralism in economics. There are many ways of understanding the world and the economy, and we need to learn about all of them to make our understanding more nuanced and comprehensive.

Secondly, we need scepticism. Do not get hooked into any one theory. Some economic theories are very seductive, Marxist theory and Austrian theory in particular, because they are so full of conviction. If you only consider their ways of expressing ideas, you might think you've found the truth.

But that's not the case. All theories have gaps; all theories are incomplete. So you need to be truly sceptical about grand claims that one policy will solve all problems, or that one prophetic philosopher will tell you everything you need to know about the world.

No one is an intellectual God. Theories must be understood within their historical context, and the right theories must be applied to the right problems.

This links in with my last point, which is the need to know the reality. One of my favourite mottos is that life is stranger than fiction.

When we study economics, we tend to base our understanding of the world on a very stylized description or masses of data without really understanding the context. When I try to make this point, I tell my students about what I call the "Singapore problem".

When you read about Singapore in standard textbooks and in the financial press, you will only be informed about Singapore's free trade policy and its welcoming attitude towards foreign investors, which it has. But you will never be told that 90% of land in Singapore is owned by the government, 85% of housing is provided by the government-owned housing corporation and over 20% of GDP is produced by State-owned enterprises, including the famous Singapore Airlines.

People often talk about low income taxes in Singapore. Singapore may appear to have low income taxes because the top rate is only 24%. But it also has a forced saving scheme, called the Central Provident Fund. This scheme forces individuals to save 37% of their income in a personalized saving account from which funds can be withdrawn only for education, healthcare and retirement.[11] As a result, 61% of the income of a top earner in Singapore —the 24% income tax plus the 37% forced saving on income— is in fact not at his or her immediate disposal.

[11] The Central Provident Fund was established in 1955.

Another powerful example is Sweden. According to the Gini coefficient, it is one of the most equal countries in the world. But it is also among the countries with the highest levels of corporate ownership concentration. The Wallenberg family has a controlling stake in companies whose collective capitalization, depending on the year, ranges between 30% and 45% of the Swedish stock market. Basically, all the well-known Swedish companies other than Volvo (which is now Chinese-owned[12]) are controlled by this family.

How can a country simultaneously be one of the most egalitarian in the world and yet have a single family controlling almost half of its entire corporate sector? Since its establishment, the family has come to own roughly 30 charities, some of them educational, others focusing on the arts and youth development, and channels close to 85% of its income through these foundations. The Wallenberg family keeps only 15% of the earned income, and individually the members of this family are not very rich.

I'm not saying by any stretch of the imagination that a particular Latin American country must imitate Singapore or Sweden. The point I'm trying to make is that the realities of countries are very complex. There are so many unusual combinations because generally what works is the result of a series of pragmatic choices that are not necessarily based on any economic theory but are driven by unique historical, economic and political conditions.

You cannot fully understand the world economy without a deep knowledge of its workings. My advice to young economists is to study real-life economies, companies and organizations.

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[12] Since 2010, Volvo Cars has been owned by Zhejiang Geely Holding Group, a Chinese multinational automotive company founded in 1986.

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