

# Challenge

SEPTEMBER–OCTOBER 2014/\$12.00

## THE WESTERN ECONOMIES STILL LAG

### **Attack Inequality? Reduce Unemployment!**

Dean Baker and Jared Bernstein

### **We're Not in Full Recovery**

Daniel Alpert

### **Europe in Mid-Life Crisis: Permanent or Not?**

Roland Benedikter

### **We Need a Political Solution**

Herbert J. Gans

---

### **Children Need Paid Parental Leave Most**

Steven Pressman and Robert H. Scott III

### **Piketty Is Not the New Marx**

David Harvey

### **The Banality of a Bureaucrat: Timothy Geithner**

John Komlos

### **How to Use Economics**

Alex Marshall



7 25274 86806 3

**Mike Sharpe on Our Overheating  
the Earth**

# REVIEW

---

*Economics: The User's Guide, A Pelican Introduction*, by Ha-Joon Chang (London: Penguin Books, 2014). Paper, £7.99.

Alex Marshall

John Milton begins *Paradise Lost*, his classic epic poem of heaven and hell published in 1667, by saying that he wants to “justify the ways of God to men.” Glad we’re not aiming too low there, John!

That’s like a lot of economic writing. It takes something big and incomprehensible and tries to explain it through the workings of revealed rules and mechanisms, godlike ones, to which the economist-priest has access.

There’s a subtle message of passivity coded into this kind of economic writing. The message is that economic rules are like the tides, something to be understood and accepted, and not fought against.

Ha-Joon Chang, an economist at the Faculty of Economics in Cambridge, England, has a different message in his new book, *Economics: The User's Guide*. Penguin Books of London published it a few months ago in Great Britain under its Pelican Introduction series, in which established authors or academics write on

subjects ranging from human evolution to the rise and fall of the Soviet Union. In the United States, Bloomsbury Press is scheduled to publish Chang’s book in September.

Rather than deliver godlike rules for the economy, Chang seeks to give “users” tools to understand and, should they wish, to change an economy, which is seen as more of a nationalist enterprise. Implicit in the title is that the economy is something citizens can take hold of, control, and shape.

I have a similar message in and purpose to my 2012 book, *The Surprising Design of Market Economies*, which was published with an endorsement by Chang on the back cover. In my book, I take readers on a journey through the laws of property, corporations, and patents, as well as the role of government in shaping physical infrastructure, education systems, language, policing, and international development.

I first became aware of Chang’s work by reading his book *Bad Sa-*

---

ALEX MARSHALL, a journalist and commentator, is a Senior Fellow at Regional Plan Association in New York City and the author most recently of *The Surprising Design of Market Economies* (University of Texas Press, 2012).

*Challenge*, vol. 57, no. 5, September/October 2014, pp. 100–103.  
© 2014 M.E. Sharpe, Inc. All rights reserved. Permissions: www.copyright.com  
ISSN 0577-5132 (print)/ISSN 1558-1489 (online)  
DOI: 10.2753/0577-5132570508

*maritans: The Myth of Free Trade and the Secret History of Capitalism* (Bloomsbury Press, 2008), which criticizes the standard mode of international development. In the course of my seeking a “blurb” for my book, we got to know each other through transcontinental e-mail. (Note: Chang returns e-mail poorly and slowly, which is probably how he writes so many books.) This year, on a visit to England in May, I made a point of getting together with Chang where he teaches and writes at the Faculty of Economics at the University of Cambridge, that historic university town. Over lunch at a restaurant featuring the food of southern India (Chang has the mark of a real foodie), he told me about the history of the many separate colleges, which had long eluded me, and gave me a copy of *Economics: The User's Guide*, which had just come out.

The fifty-year-old Chang was born and educated in South Korea and got his Ph.D. from the Faculty of Economics and Politics at Cambridge University in 1992 with a focus on international development. (Tellingly, and to my mind wrongly, the faculty dropped the “and Politics” recently.) While Chang has a long list of scholarly work, it was his book meant for laymen, *Kicking Away the Ladder: Development Strategy in Historical Perspective* (Anthem Press, 2002), that brought him to public knowledge. He has followed that with several books, and his last one, *23 Things They Don't Tell You About Capitalism* (Bloomsbury Press, 2010), was a best-seller

in England and a runaway best-seller in his native Korea. He now writes regularly for the *Guardian*. He is less known in the United States.

In all his work, Chang shows that he sees economics not as a science but as a set of human-maintained social systems, which can be reworked.

In *Economics: A User's Guide* Chang leads the reader through an abbreviated version of economic history and thought, all (at least in the British edition) in a compact paperback book. It is an amazing accomplishment, for its approach and content and for being readable, substantive, and concise.

He starts by reviewing the basics of economic history, from rates of growth in preindustrial nations to Adam Smith, Marx, and Hayek, and how various experts frame economies. From there he goes on to explain and deconstruct various economic terms and tools, including income, wealth, production, finance, work, inequality, and the role of the state. (This last chapter is the closest to my own book in its specific focus on patents, corporations, physical infrastructure, and other frameworks the state creates.)

In other chapters, Chang reviews the framework of economic thinking, including assumptions and methods often not scrutinized. He looks at how economics rates or judges happiness and income, the curious lack of attention to production and work by many contemporary economists, the role of finance, and inequality and poverty.

Throughout, Chang talks with a

comforting blend of casualness and precision, always with an eye to the needs of the reader. He starts with various strategies for reading the book, ranging from the ten-minute approach—reading the first page of every chapter—to the reading-the-whole-thing approach. Important topics and concepts are put in bold or italics. He cites J.R. Tolkien, novelist Neal Stephenson, and popular movies such as *Slumdog Millionaire*. In this he resembles Thomas Piketty, author of *Capital in the Twenty-First Century* (which I recently plowed through) (Belknap, 2014), who has won attention for citing literature as a reference. Chang's references also show he is well rounded in his media consumption, particularly given his non-English background.

The best section is chapter 4, "Let a Hundred Flowers Bloom." There he divides economics into nine competing and complementary schools—Austrian, behavioralist, classical, developmentalist, institutionalist, Keynesian, Marxist, neoclassical, and Schumpeterian. He then describes how these schools describe economic activity, how they differ, and how they complement one another. He actually has a chart that flows across four pages showing the differences and distinctive features of each school.

Chang's overall point here is that we do not have to decide which of these theories is "true." They are all true (as well as false) in different times and circumstances. All can be useful if accepted as tools or lenses rather than absolute truths. Tongue-

in-cheek but in service of a point, he says one can use the different schools to make a better "cocktail" of analysis and prescription. While some combinations may taste like a "Bloody Mary with a lot of Tabasco sauce, given the disagreements present," others may be like "a Planters Punch, with different flavours complementing each other."

If the schools are seen as tools or lenses to be picked up, rather than churches to become members of, their analytical frameworks can be used more productively, Chang says.

For example, when the low growth of wages is seen beside the high corporate profits, a Keynesian might prescribe government spending to stimulate demand. A Schumpeterian, however, referring to the theories of economist Joseph Schumpeter, might see the high profits as a product of innovative companies like Apple or Amazon, which have reaped rich rewards through their "creative destruction" and thus should be curbed with caution. An institutionalist, by contrast, might examine the structure of the patent system and whether it is giving too much monopoly-level profits to holders. A neoclassicist might look to reforms to align corporations and labor more into the model of perfect competition, which in theory would bring profits down and employment up.

Or to use another example, if looking at a developing country, one could use the Ricardo theory of comparative advantage, which Chang puts under classical economics, to pick industries on which a country

- Wh
- the
- Wh

1. Pro
- mu
2. Imp
3. Imp
4. De
5. De

- Ro
- RPA's
- examp
- transp

- Th
- The 4E
- specif
- netwo

should focus its export industries. But a developmentalist would see the underlying institutions of a state as something that could be remade, thus shifting the nature of a state's comparative advantage.

Such an approach does not negate the need to make a decision about proper policy, but at least one is armed with a fuller spectrum of possibilities. What one wants to avoid, Chang says several times, is to be "a man with a hammer," applying theory and models in a reflexive way and seeing everything as a nail, rather than weighing evidence and values.

Chang concludes by making explicit what is implicit in his title: he intends the book to give citizens a handle on a tool not only to understand an economy, but also to change it.

"The economy is too important to be left to the professional economists alone," Chang says, repeating something that has also been said about journalism and journalists. Chang says that citizen participation in economics is essential. Such participation requires a healthy "dose of skepticism about expert knowledge," this being "especially important in economics—a political argument often presented as a science."

Regarding this last point, Chang's own book can be criticized for sometimes hiding his own political arguments in a seemingly neutral conveyance of information. But it is difficult to find a way out of that box. As Chang says, quoting Goethe, "Everything factual is already a theory," and within Chang's recitation of the facts of economics is a theory about what economics is.

---

*To order reprints, call 1-800-352-2210; outside the United States, call 717-632-3535.*