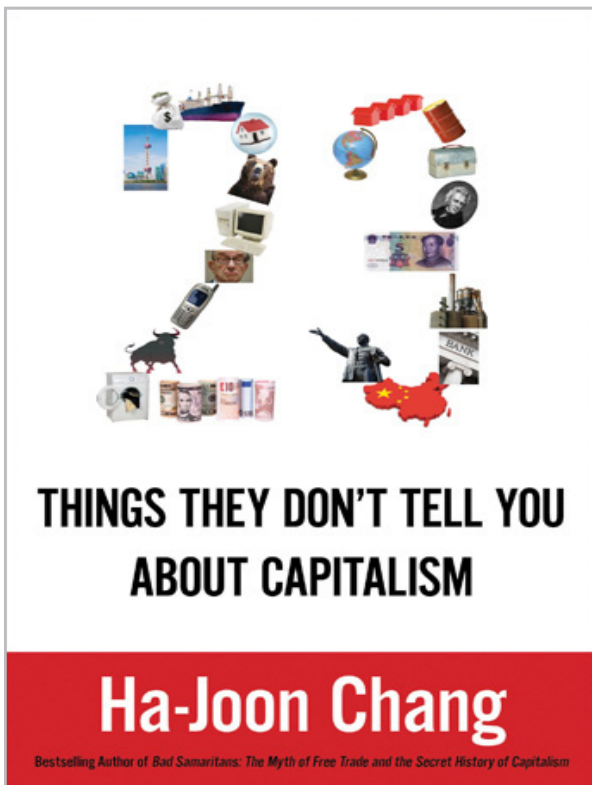

REMAPPING DEBATE

Asking "Why" and "Why Not"

23 things they don't tell you about capitalism (by Ha-Joon Chang)

Book Reviews | By Steve Weinberg | Economy

December 7, 2010 — For 40 years, I have worked as a journalist and trained thousands of other journalists from my former perches as a University of Missouri Journalism School professor and as executive director of Investigative Reporters and Editors. I have written newspaper articles, magazine features and entire books with heavy doses of economics policy and business behavior.



I wish the book “23 Things They Don’t Tell You About Capitalism” had been available when I was a rookie; I would have been more alert to the hands-off-business catechism by which Americans are relentlessly indoctrinated. Like the conventional wisdom about efficient and just markets. As economist Ha-Joon Chang says disapprovingly of this dogma, we’re supposed to believe that markets produce maximally efficient outcomes (“because individuals know best how to utilize the resources they command”), and maximally just outcomes (“because the competitive market process ensures that individuals are rewarded according to their productivity”).

Both I and my colleagues, needed (and need) to better appreciate the point that Chang insists on most avidly: “there really is no such thing as a free market.” Every economy, he explains, “has some rules and boundaries that restrict freedom of choice. A market looks free only because we so unconditionally accept its underlying restrictions that we fail to see them.”

Airlines may complain about a lot of regulations, for example, but they don’t assert that there should not be an air traffic control system: the freedom of everyone to share airspace without control is nothing more than the freedom to crash. Most free marketers are not demanding that human organs be sold at the supermarket, or that young children be given back their “right” to participate as underpaid, exploited workers, instead of attending elementary school.

And, of course, perhaps the loudest proponents of free markets — big banks and other financial institutions — benefit not only from regulatory barriers to entry, but were happy to feast during the height

of the financial crisis on [mammoth loans offered to them by the Federal Reserve at bargain-basement rates](#).

Chang's conclusion: "Government is always involved and those free marketers are as politically motivated as anyone. Overcoming the myth that there is such a thing as an objectively defined 'free market' is the first step towards understanding capitalism."

At the beginning of each chapter, Chang exposes an embedded premise of free market ideology under the headline "What they tell you," as in:

Like it or not, it is the rich people who are going to invest and create jobs. The rich are vital to both spotting market opportunities and exploiting them. In many countries, the politics of envy and populist policies of the past have put restrictions on wealth creation by imposing higher taxes on the rich. This has to stop. It may sound harsh, but in the long run poor people can become richer only by making the rich even richer.

He then explains the alternatives in a section headlined "What they don't tell you." His response to the old trickle-down chestnut just quoted:

Despite the usual dichotomy of "growth-enhancing pro-rich policy" and "growth-reducing pro-poor policy," pro-rich policies have failed to accelerate growth in the last three decades. So the first step in the argument — that is, the view that giving a bigger slice of the pie to the rich will make the pie bigger — does not hold. The second part of the argument — the view that greater wealth created at the top will eventually trickle down to the poor — does not work either. Trickle down does happen, but usually its impact is meager if we leave it to the market.

Because Chang is prepared to look at data over a broad stretch of time, he is able to see that progressive taxation and expanded social welfare in the period from 1950 to 1973 (the "Golden Age of Capitalism") did not hinder rich capitalist economies but saw them grow faster. Instead of a growth rate of 1 to 1.5 percent in these economies before the Golden Age, these economies came to grow faster: "2 to 3 percent in the United States and Britain, 4 to 5 percent in Western Europe, and 8 percent in Japan."

When that growth slowed, the free market economists, according to Chang, "dusted off their 19th-century rhetoric and managed to convince others that the reduction in the share of the income going to the investing class was the reason for the slowdown."

Non-economists can participate in debunking the myths of free marketers through what Chang terms "active economic citizenship." Just as non-specialists can seek clean, healthful foods in supermarkets and restaurants without an advanced degree in epidemiology or nutrition, non-economists can reach judgments about domestic money policies without technical training.

Journalists need desperately to do that. My profession — at least here in the United States — has certainly been among the most credulous when it comes to accepting uncritically the free market ideology that, Chang says, “has ruled the world since the 1980s.”

Take a recent New York Times story: “[Obama Casts Asian Trip as an Economic Mission.](#)” By traditional journalism standards, the piece is solid. The reporters cite a variety of sources, offer readers tidbits of timely news, and seemingly achieve a modicum of balance.

Read in the light of Chang’s perspective, however, it is apparent how the reporters’ lack of context about economics shapes what is and is not reported on, and the tone of that reporting. (It is possible, of course, that one or more of the reporters grasp the Chang critique of free market economics but could not fit it into the story.)

The Times’ reporting team recites the President’s “courtship of corporate America” while in India, notes that Obama downplayed concerns about outsourcing, and said that, in respect to trade between the U.S. and India, “It is a dynamic, two-way relationship that is creating jobs, growth, and higher living standards in both our countries.”

But there is no inquiry at all into whether what is good for corporate America is necessarily good for the rest of America; no inquiry into whether evidence supports the President’s characterization of the impact of the trade relationship with India specifically; and no inquiry into what the impact of “open markets” and roving capital have had on a broad cross-section of American working people. Had any of Chang’s lessons on these issues been learned, there would certainly have been a more probing article written.

The book, of course, is not only or primarily for journalists. Chang’s point about the contingent nature of the path a society travels needs to be heard by a broad audience, an audience often conditioned to

8 OF THE 23 THINGS “THEY DON’T TELL YOU”

A sampling of Ha-Joon Chang’s message:

There is no such thing as a free market.

- Companies should *not* be run in the interest of their owners.
- Greater macroeconomic stability has *not* made the world economy more stable.
- Free-market policies rarely make poor countries rich.
- The US does not have the highest living standard in the world.
- Making rich people richer doesn’t make the rest of us richer.
- Financial markets need to become less, not more, efficient.
- Good economic policy does not require good economists.

believe that things are they way they have to be: “human decisions...by those who have the power to set the rules make things happen in the way they happen...If different decisions had been taken, the world would have been a different place.”

At the opening of the book, Chang lists seven possible ways to read it, specifying, for example, the chapters to focus on “If you are not even sure what capitalism is,”; those to read “If you think politics is a waste of time”; or those to read “If you think the world is an unfair place but there is nothing much you can do about it.”

My recommendation, especially to my fellow journalists, is to follow the last suggestion on Chang’s list: “Read the whole thing...”

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