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THINGS
THEY
DON'T
TELL
YOU
ABOUT
CAPITALISM

HA-JOON CHANG

- Thing One. There is really no such thing as a free market.
- Thing Two. Companies should not be run in the interest of their owners.
- Thing Three. Most people in rich countries get paid more than they should.
- Thing Four. The washing machine has changed the world more than the internet.
- Thing Five. Assume the worst about people, and you get the worst.
- Thing Six. Greater macroeconomic stability has not made the world economy more stable.
- Thing Seven. Free-market policies rarely make poor countries richer.
- Thing Eight. Capital has a nationality.
- Thing Nine. We do not live in a post-industrial age.
- Thing Ten. The US does not have the highest living standard in the world.
- Thing Eleven. Africa is not destined for under-development.
- Thing Twelve. Government can pick winners.
- Thing Thirteen. Making rich people richer doesn't make the rest of us richer.
- Thing Fourteen. US managers are over-priced.
- Thing Fifteen. People in poor countries are more entrepreneurial than people in rich countries.
- Thing Sixteen. We are not smart enough to leave things to the market.
- Thing Seventeen. More education in itself is not going to make a country richer.
- Thing Eighteen. What is good for the General Motors is not necessarily good for the US.
- Thing Nineteen. Despite the fall of Communism, we are still living in planned economies.
- Thing Twenty. Equality of opportunities is unequal.
- Thing Twenty-one. Big government makes people more, not less, open to changes.
- Thing Twenty-two. Financial markets need to become less, not more, efficient.
- Thing Twenty-three. Good economic policy does not require good economists.

“There is no such thing as a free market.”



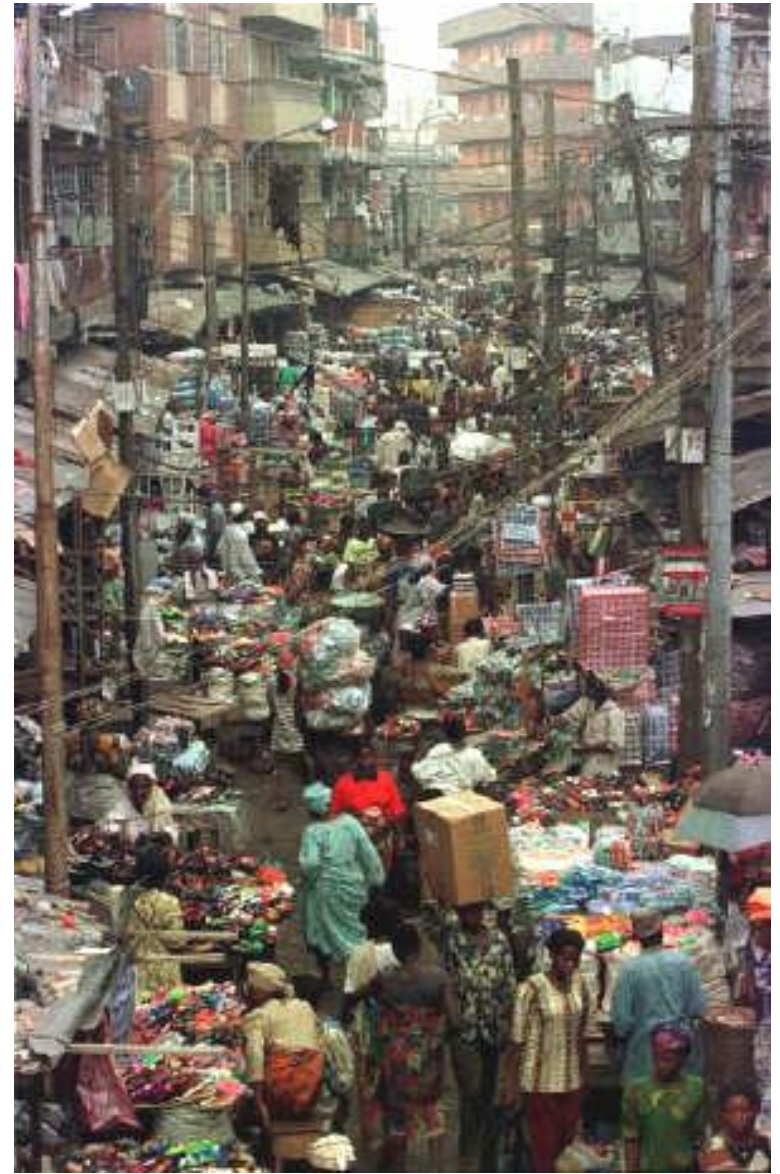
“Companies should not be run in the interest of their owners.”

Thing 3: Most people in rich countries are paid more than they should be.



Thing 15: People in poor countries are more entrepreneurial than people in rich countries.





Who are the entrepreneurs? – Proportion of self-employed people

Rich countries

- Average: 12.8%
- Norway: 6.7%
- US: 7.5%
- France: 8.6% (so, Dubya's comment was a classic case of the pot calling the kettle black)

Poor countries

- Average: 30-50%
- Ghana: 66.9%
- Bangladesh: 75.4%
- Benin: 88.7%
- **Rich/Poor ratio: 2-4**
- **Bangladesh/US ratio: 10**
- **Norway/Benin ratio: 13**

Definitions of Development

- Income
- More than income (e.g., HDI)
- Development used to be about the transformation of the productive structure and the capabilities that support it, and the resulting transformation of social structure (e.g., oil-rich countries, Germany after WWII)
- Now, development is about poverty reduction, provision of basic needs, individual betterment, and the sustenance of the existing production structure

Development without Development: the MDGs

- Goal 1: Eradicate extreme poverty and hunger.
- Goal 2: Achieve universal primary education.
- Goal 3: Promote gender equality and empower women.
- Goal 4: Reduce child mortality.
- Goal 5: Improve maternal health.
- Goal 6: Combat HIV/AIDS, malaria, and other diseases
- Goal 7: Ensure environmental sustainability.
- Goal 8: Develop a global partnership for development.

Development without Development: the MDGs (continued)

- Targets under Goal 8
 - development of an ‘open, rule-based, predictable, non-discriminatory trading system’
 - reduction or even writing-off of developing country foreign debt
 - increase in foreign aid from rich countries, including trade-related technical assistance
 - provision of access to affordable essential drugs for developing countries
 - the spread of new technologies, mainly information and communications technologies

Development without Development: the MDGs (continued)

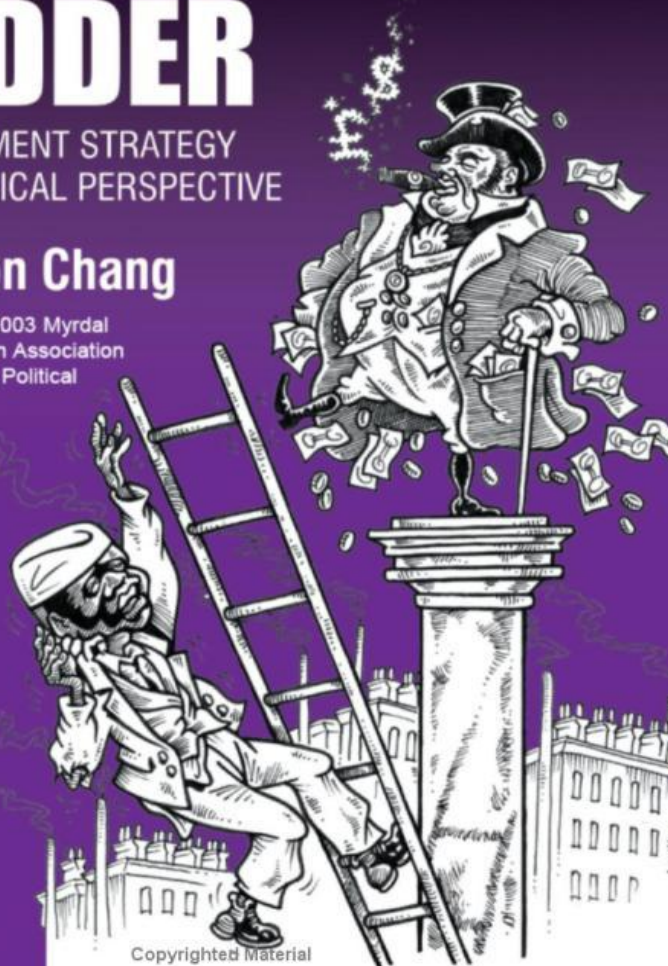
- The pro-developmental trading regime basically means an increased access to rich country markets by developing countries.
- However, doing more of the same thing is not how today's developed countries have become developed (e.g., Britain, the US, Finland, Japan, Korea) – *Kicking Away the Ladder and Bad Samaritans*
- This is not to say that 'traditional' activities like agriculture and textile do not have a future (e.g., the Netherlands in agriculture, Germany in textile)
 - But this was possible only because they applied advanced technologies and organisational skills to these activities (cf. the Philippines being the world's second most 'high-tech' exporter)

KICKING AWAY THE LADDER

DEVELOPMENT STRATEGY
IN HISTORICAL PERSPECTIVE

Ha-Joon Chang

Winner of the 2003 Myrdal
Prize, European Association
of Evolutionary Political
Economy



'Probably the world's most
effective critic of globalization'
MARTIN WOLF, *FINANCIAL TIMES*

'Lucid, deeply informed'
NOAM CHOMSKY



BAD SAMARITANS

THE GUILTY SECRETS
OF RICH NATIONS
& THE THREAT TO
GLOBAL PROSPERITY

HA-JOON CHANG

Anti-developmental ‘development agenda: the DDA

- Basically agriculture-industry swap (reduction in developed country agricultural protection and subsidies + reduction in developing country industrial tariffs through the NAMA [non-agricultural market access] negotiations)
- But it is not going to help the developing countries to ‘develop’ even in the MDG sense
 - Many developing countries are net agricultural importers (often subsidised products from rich countries)
 - Main beneficiaries are the rich agricultural exporters and a few developing countries that export ‘temperate’ products (e.g., Brazil, Argentina)

Anti-developmental ‘development agenda’: the DDA (continued)

- In the long run, the DDA is going to hinder development by making infant industry protection very difficult
 - Consumer benefit minor (1.5% of GDP, one-off)
 - Proposed industrial tariff cuts down to the lowest level since colonialism and unequal treaties (5-7%)
 - Other policy tools (quotas, subsidies, regulation on FDI, etc.) banned or highly circumscribed
 - NOT a cut in average, but a Swiss formula (line-by-line: the higher the tariff rate, the steeper the cut)

Ersatz Development: the MDGs and Microfinance

- Some recognition of the need to increase productive capabilities.
- However, it is to happen mainly through individual betterment.
 - MDGs: 6 of 8 are about improving income, health, and education of individuals (not about improving social institutions other than the problematic ‘global standard institutions’ discourse)
 - Microfinance: helping people lift themselves out of poverty through their own entrepreneurial efforts

***Ersatz* Development: the MDGs and Microfinance (continued)**

- Only so many productivities that can be developed through individual improvements
- Development of productive capabilities mainly occur in productive enterprises
- Much of the knowledge created in productive enterprises is acquired in a ‘collective’ manner and deposited in the forms of organisational routines and institutional memories

Ersatz Development: the MDGs and Microfinance (continued)

- Today's mainstream view amounts to 'ersatz' developmentalism, which believes that more educated and healthier individuals with secure property rights will somehow create a prosperous economy.
- However, development requires a lot of collective and systemic efforts at acquiring and accumulating better productive knowledge through the construction of better organisations, the cross-fertilisation of ideas within them, and the channeling of individual entrepreneurial energy into collective entrepreneurship.

More information

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