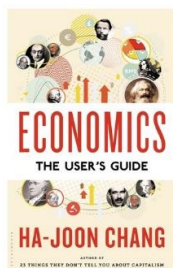


BOOK REVIEW



Ha-Joon Chang
Economics: The User's Guide
Bloomsbury Press, 2014

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INTRODUCTION

For the past twelve years, I have been searching for a suitable text book for my teaching for the first year undergraduates of the Science Faculty of my university where I had to teach economics for non-economists. But on many occasions I failed, due to heavy technical jargons and theoretical depth of the text books I referred to. Many a time, student felt Economics as a difficult subject and persuading them for further reading was much difficult. But I found the book “Economics: The User’s Guide” written by Ha-Joon Chang who is much popular as an alternative thinking institutional economist well fitted into my objectives with little additions. Ha-Joon Chang is much popular for three controversial publications “Bad Samaritans”, “23 Things They Don’t Tell You about Capitalism” and “Kicking Away the Ladder” which were later translated into more than 30 languages within a short period of time.

Ha-Joon Chang explains many of the technically complicated economic theories in simple terms using a few graphs and not using any mathematical notations which is common in conventional economic books. He challenges many orthodox economic explanations and explain them in a plain language such that even a non-economist with high school education can manage it. The way he had written the book encourages reader to finish it at a stretch. Many of the examples and relations to his discussion are drawn not from mathematics or statistics but from esthetic literature. Even though the book is an introduction to economics for the non-professional economists, the author challenge the conventional understanding of the meaning of economics. His main argument in the book is that the subject matter of economics should be the economy as the subject matter of chemistry is the chemicals. Therefore, it should discuss about money, work, technology, international trade, taxes etc. than discussing everything such as economics of marriage, death or whole world.

Economics should not be defined by the methodology or theoretical approach taken by the author but by the subject matter of economics: the economy. He argues that there is more than one way (neo-classical) in understanding economic concepts. The author explains his argument by presenting nine schools of thought of economics, and by not taking a side of any of them and just by describing the strengths and weaknesses of them. The author expects the reader to become an active economic citizen who can argue with the professional economists. The author is too aggressive in presenting his view on definition of economic (rather too strong for a non-economist) suggesting that economic is not a science but a political argument as there is no objective truth in economics that can be established independently of political and moral judgments.

ORGANIZATION

The book is divided into two parts; Part One on “Getting Used to Economics” where what is economics, what is economy, historical development of economics, different ways of learning economics and who are the economic actors are discussed, while Part Two is devoted for using economics in understanding the real world economy. The book is comprised with well-organized twelve chapters; from defining the meaning of economics to discussing complicated international trade. Many of the technical terms are explained clearly in simple terms at the place they are first met, assuming that the reader has only little knowledge in economics. Each chapter starts with a well-planned plain discussion of the theoretical aspects of subject matter, followed by a detailed presentation of the real world numbers (many economists refer to this as the stylized facts) highlighting the real world applications and understanding of the presented theories. The author presents an italics summaries for each section such that a reader can read summaries and get the main ideas of the section and if he is capable enough, he can dig into the details of the argument. Each chapter is also presented with an introduction to chapter and concluding remarks making a busy reader to grab the ideas of the chapter easily.

CONTENTS

Chapters One to Five are aimed at getting used to economics. The Chapter One of the book titled “What is Economics” establishes the definition of economics for a common reader. Criticizing the conventional typical neo classical definition of economics – the study of rational human choice or economic behavior of human being – Ha-Joon Chang presents the new definition of economics as the “Study of Economy” where money, jobs, transfers, taxes, international trade, production and consumption are the subject matter. Chapter Two of the book titled “Capitalism 1776 and 2014” presents a discussion of capitalism from the publication of “Wealth of Nations” to 2014. He explains in this chapter how capitalism changed from subsistence farming to multinational corporations

in this chapter. Much of this chapter is also devoted to explaining many of the technical jargons used in conventional economics. The Chapter Three of the book titled “A Brief History of Capitalism” presents firstly the importance of economic history and secondly explains the hidden facts of economic history which are not common in conventional economic literature. Further, the evolution of capitalism from its begging in 1500, then the development of colonization and its impact on capitalism, then industrial revolution and shaping up the capitalism are briefly presented. The rise of mass production and acceleration of capitalism from 1870 to just before the First World War, the economic turmoil during the first and second world wars, including the great economic depression, The Golden Age of Capitalism (between 1945 – 1973) and the oil crisis in 1973 to 1979, are also discussed in detail in this chapter. The chapter finally elaborate on the rise and fall of the neo-liberalism from 1980 to 2015. The author explains how cotton and iron industries kicked off and got in to their golden ages and innovations in the industrial revolution redefined the economic systems. Also the author discusses the dawn of the Briton Woods Institutions and their role in economic development of the world. The chapter further discusses the establishment of GATT and WTO and the fade but important role of the UN organizations in shaping up the world economic affairs. Chapter Four “How to Do Economics” discusses nine schools of thoughts in economics. It discusses the the well-established Classical, Neo-Classical, Keynesian approaches to not much popular developmentalist approach. It is important to note here that in presenting these different schools of thought, the author is not taking part in any of them. He just explains the major characteristics of each of them and discusses strengths and weaknesses of them. If any reader wants to understand why different explanations are given for the same economic concept by different authors, reading this chapter is highly recommended. Knowing several ways of understanding economic, not just one or two, helps reader to have balanced understanding of the complex phenomenon of economy. The Fifth Chapter which is final chapter in Part One, elaborates on the different economic actors. It presents to the reader a brief description of individuals, firms, multinational companies, trade unions, cooperatives, government, international organizations and how the economic decision making is getting complicated, with different level of actors.

Part Two of the book, which consists of seven chapters, is devoted for using the learned theories in Part One in understanding the economy, which is divided into seven chapters. Almost all the chapters in this part discusses the topics conventionally included in macroeconomics such as output, employment, banking and finance, public sector and international trade. Chapter Six titled “Output, Income and Happiness” elaborates on the measurement of national output (GDP, GNP, NNP), national income (GDI, GNI, NNI) and happiness (Better Life Index). The chapter explains that GDP is an easy to understand measurement of national wealth, even though it is not a perfect one due to the inherited weaknesses of it. Even though the author explains that measurement of happiness is too subjective, happiness measurements compliments the output and income measurements.

Further the chapter argues that the defining as well as measuring economic concepts cannot be purely objective as the case with chemistry or physics. But this does not say that the numbers are not important in economics and signifying it, the author presents a set of real life numbers for almost all the measurements discussed in this chapter. Chapter Seven titled as “World of Production” elaborates on the production, economic growth and development, importance of technology improvement, Importance of manufacturing in economic development, industrialization and deindustrialization due to productivity improvements and price changes in the manufacturing sector. Furthermore, the chapter also details about the relationship between production and sustainable development. Author finds that the technology improvement is a solution for most of the environmental problems, but not for all of them. Notably, this chapter defines economic development as the improvements of the productive capabilities: capabilities to organize and transform its production activities. The chapter also argues that the premature deindustrialization (decreasing the share of manufacturing in the national output) of many of the developing countries is mostly due to the implementation of the neo-liberal policies in these countries. Trade liberalization has destroyed many of the manufacturing industries while the financial liberalization has directed bank loans more towards the consumers than the producers. Inflation control policies such as higher interest rates and overvalued currencies has also affected negatively on the manufacturing sector. Furthermore, he argues that there are hardly any examples in the modern world that is given as a success stories for service based development. Many economists take Singapore as an example for service based development, yet it is not true, as comparatively manufacturing sector of Singapore is not small. Therefore, the author highlights that the production sector is important in economic development than services. Chapter Eight of the book is dedicated for discussing the “Finance” where both Banking and Finance are detailed. The author also discusses about the share market, investment banks, and the financial system in this chapter. A comprehensive discussion on financial crisis is presented with the real world numbers and highlight the need for strictly regulating the financial sector whilst recommending making the sector simpler.

Chapter Nine titled “Poverty and Inequality” presents a brief discussion on the theoretical aspects of poverty and inequality as well as different approaches of measuring them. He points out that inequality is bad for development while strict equality is also not good for development in line with the Kuznets hypothesis (or curve). Real world numbers are presented for poverty and inequality for developed countries as well as developing countries. Chapter Ten “Work and Unemployment” discusses the major issues of the labour market including labour, forced labour and child labour, employment, unemployment and underemployment. While presenting real world numbers, the author highlights considering work seriously in economics is important for a balanced and inclusive development. Chapter Eleven titled “The Role of the State” discusses the role of the state in market economy. State interventions due to market failures is discussed in

detail, contrasting it with government failures. The significance as well as dominance of the state sector is discussed with the real world numbers in this chapter. The author concludes that economics is a political argument based on the discussion of the chapter.

The final chapter of the book titled "The International Dimension" discusses the major topics in international economics such as international trade, reasons to trade, free trade (may not be the best form of trade for developing economies), and international finance (BOP, FDI). Author suggests that while encouraging FDI, they need to be regulated strictly for the interest of the local infant firms if the country is interested in expanding the local manufacturing sector. Finally, the chapter elaborates on the immigration and international remittances. A comprehensive set of real world numbers are presented for each topic discussed in this chapter.

SUM-UP

The major aim of this book is not to tell the reader what to think about economics but to tell the reader how to think about economics. Therefore, the author categorizes this book as a user guide. In fact, the book is worth as a user guide in economics for nonprofessional economists (or general public). However, at the end of the book, the author highlights three important points of the book i.e. Economics is not a science, but a political argument, that there are different ways of doing economics, and economy is bigger than the market. Though it is too harsh to conclude that economics is not a science, we have to agree with his idea. In economics, we learn about human behavior which is not fixed or controllable. Hence, any study about human behaviour is subject to the value (or moral) judgments, therefore there will not be one truth to many of the economic phenomenon. However, analytical methodology of economic is scientific as much of the analytical methods are borrowed from natural sciences, however, I feel that this also has gone too far making it not digestible even for a professional economist. The Chapter Four on different schools of thoughts in economics proves that there are different explanations for economic concepts. Therefore, one has no need to totally depend on the neo-classical ideologies in understanding the economy, (as many of us are used to) but to have a balanced view on it.

Finally, his argument on economy is bigger than the market sounds good for a nonprofessional economist, yet though the argument is true, we cannot neglect the importance of market analysis (Demand, Supply, Equilibrium, market structures) in an economic discussion. Therefore, I find the major drawback of this book is the non-inclusion of the market analysis in its discussion. If a discussion on market analysis is included (even though the focus of the author is the production), the book would have been the best simple but comprehensive user's guide for economics



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THE SLJER

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