23 Things They Don’t Tell You About Capitalism

by Ha-Joon Chang · Language: EN

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Overview

Ha-Joon Chang's "23 Things They Don’t Tell You About Capitalism" systematically debunks many of the conventional wisdoms and assumptions underpinning free-market capitalism. Through 23 concise essays, Chang challenges the notion that markets are inherently 'free,' that companies should solely prioritize shareholder value, or that deregulation always leads to economic prosperity. He argues that the global economy is far more complex and interventionist than free-market ideologues suggest, highlighting the historical role of government intervention, protectionism, and social policies in the development of today's rich nations.

The book's main argument is that there is no single, universally optimal form of capitalism. Instead, different countries have achieved success through varied economic models, often involving significant state guidance and regulation, contrary to the advice given to developing nations. Chang advocates for a more nuanced understanding of economic history and theory, suggesting that a well-regulated, mixed economy with strong social safety nets and strategic industrial policies is not only possible but often superior to unfettered free markets. He encourages readers to question dominant economic narratives and consider alternative approaches to achieve greater equity and sustainable growth, making a compelling case for active government involvement in shaping economic outcomes.

Key Takeaways

- Recognize that all markets are regulated and shaped by rules, meaning there is no truly 'free' market in existence.
- Understand that maximizing shareholder value is not the only or best way to run a company; other stakeholders' interests are crucial.
- Challenge the belief that making rich people richer automatically benefits everyone else; trickle-down economics often fails.
- Consider that government intervention and strategic industrial policies have historically been vital for economic development, even in today's rich countries.
- Question the idea that we live in a post-industrial age; manufacturing remains a critical component of strong economies.

• Acknowledge that greater macroeconomic stability does not necessarily lead to a more stable or resilient global economy.

• Advocate for a more active and intelligent role for government in managing the economy, rather than assuming markets can self-regulate perfectly.

• Realize that economic policies should be tailored to specific national contexts and historical experiences, rather than applying a one-size-fits-all free-market approach.

Chapter Summaries

Thing 1: There is no such thing as a free market

Chang argues that all markets operate within a framework of regulations, rules, and restrictions, which are often politically determined. The idea of a 'free' market is a political construct, not a natural state. What constitutes 'freedom' in a market is defined by what regulations are chosen to be in place, impacting who can participate, what can be traded, and under what conditions. This challenges the notion that markets are objective entities separate from human intervention.

Thing 2: Companies should not be run in the interest of their owners

This chapter critiques the shareholder-centric model of corporate governance. Chang contends that companies have multiple stakeholders—employees, suppliers, customers, and the community—whose interests are often overlooked when the sole focus is on maximizing shareholder value. He suggests that prioritizing short-term profits for owners can lead to underinvestment, job insecurity, and a decline in long-term corporate health and societal benefit.

Thing 4: The washing machine has changed the world more than the internet has

Chang highlights the profound, yet often underestimated, impact of 'old' technologies like the washing machine on social and economic structures. By freeing women from domestic drudgery, it enabled their entry into the workforce, fundamentally altering gender roles and boosting economic productivity. He contrasts this with the internet's impact, arguing that while significant, it has not brought about such a fundamental shift in how societies are organized or how work is distributed.

Thing 7: Free-market policies rarely make poor countries rich

Chang challenges the conventional wisdom that free-market policies are the best path to development for poor countries. He demonstrates that many of today's rich nations, including the US and UK, used protectionist policies and state intervention during their own development phases. He argues that forcing developing countries to adopt free-market policies often hinders their ability to build competitive industries and achieve sustainable growth.

Thing 13: Making rich people richer doesn’t make the rest of us richer

This chapter directly refutes the 'trickle-down' theory of economics. Chang presents evidence that tax cuts and deregulation aimed at benefiting the wealthy do not reliably lead to increased investment, job creation, or higher wages for the majority. Instead, such policies often exacerbate income inequality without delivering the promised broad-based economic benefits, suggesting a need for policies that directly support broader segments of the population.

Thing 16: We are not smart enough to leave things to the market

Chang argues against the efficient market hypothesis, asserting that human rationality is bounded and markets are prone to irrational exuberance and panic, as evidenced by financial crises. He contends that the complexity of modern economies means that leaving everything to the 'invisible hand' of the market is irresponsible and dangerous, necessitating intelligent regulation and intervention by governments to prevent systemic failures and guide economic activity.

Thing 20: The age of big government is not over

Contrary to popular belief, Chang shows that the size and role of government in the economy have not significantly shrunk in developed countries over recent decades, despite rhetoric about deregulation. Governments continue to play a crucial role in providing public goods, regulating markets, and managing social welfare. He argues that a strong, active government is essential for a functioning, stable, and equitable capitalist system.

Thing 23: We need a bigger government, not a smaller one

Chang concludes by advocating for a more active and interventionist government. He argues that many of the problems attributed to 'big government' are actually failures of poorly designed or executed policies, not inherent flaws in government itself. A larger, more capable government is necessary to address complex challenges like inequality, climate change, and financial instability, and to foster long-term economic development and social well-being.

Themes

- Critique of capitalism
- Economic intervention
- Government's role
- Income inequality
- Development economics
- Market regulation

Notable Quotes

- "There is no such thing as a free market." — This is the title of the first 'thing' and a foundational argument, challenging the idea of markets existing outside of political and regulatory frameworks.
- "The washing machine has changed the world more than the internet has." — This provocative statement highlights the often-overlooked, profound social and economic impact of 'old' technologies compared to more celebrated recent innovations.
- "Assume the worst about people, and you get the worst." — Chang critiques the free-market assumption that individuals are purely self-interested and rational, arguing that such a view can lead to policies that undermine cooperation and trust, ultimately fostering the very behavior it assumes.
- "Making rich people richer doesn't make the rest of us richer." — This directly challenges the 'trickle-down' economic theory, arguing that wealth concentration at the top does not automatically benefit the broader population.
- "We are not smart enough to leave things to the market." — Chang argues against the efficient market hypothesis, asserting that human rationality is limited and markets are prone to irrationality, necessitating intelligent regulation and intervention.

Frequently Asked Questions

What is 23 Things They Don't Tell You About Capitalism about?

The book challenges conventional free-market economic wisdom, arguing that many common assumptions about capitalism are flawed. Ha-Joon Chang presents 23 'things' or essays that debunk myths about free markets, corporate governance, economic development, and the role of government, advocating for a more regulated and interventionist approach to economic policy.

Is 23 Things They Don't Tell You About Capitalism worth reading?

Yes, it is highly recommended for anyone interested in economics, politics, or understanding the global economy beyond mainstream narratives. Chang's accessible writing style and compelling arguments make complex economic concepts understandable, providing a refreshing and critical perspective on how capitalism actually works, rather than how it's often idealized.

How does 23 Things They Don't Tell You About Capitalism end?

Spoiler: The book concludes by advocating for a more active and interventionist role for government in managing the economy. Chang argues that a 'bigger government' is necessary to address contemporary challenges like inequality, financial instability, and climate change, and to foster long-term economic development and social well-being, challenging the prevailing dogma of minimal state intervention.

Who should read 23 Things They Don't Tell You About Capitalism?

This book is ideal for students of economics, policymakers, and general readers who are curious about how the global economy functions and are open to questioning dominant economic theories. It's particularly valuable for those who feel that current economic systems are not working for everyone and are looking for alternative perspectives and solutions.

How long does it take to read 23 Things They Don’t Tell You About Capitalism?

On average, it takes approximately 6 to 7 hours to read '23 Things They Don’t Tell You About Capitalism.' The book is structured into short, digestible essays, making it suitable for reading in segments.