

Department of International Development public lecture

Economics, But Not as You Know It

Dr Ha-Joon Chang

Cambridge University

*Author of Economics: The Users' Guide and 23 Things They Don't Tell
You About Capitalism*

Professor James Putzel

Chair, LSE

Suggested hashtag for Twitter users: **#LSEconomics**

LSE events



Economics

– but not as you know it

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What is
economics?

What can – and
can't – it explain
about the world?

Why does it
matter?

Ha-Joon Chang teaches economics at Cambridge University, and writes a column for the *Guardian*. The *Observer* called his book *23 Things They Don't Tell You About Capitalism*, which was a no.1 bestseller, 'a witty and timely debunking of some of the biggest myths surrounding the global economy.' He won the Wassily Leontief Prize for advancing the frontiers of economic thought for his book *Kicking Away the Ladder*. He is a vocal critic of the failures of our current economic system.



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1

HA-JOON CHANG ECONOMICS: THE USER'S GUIDE

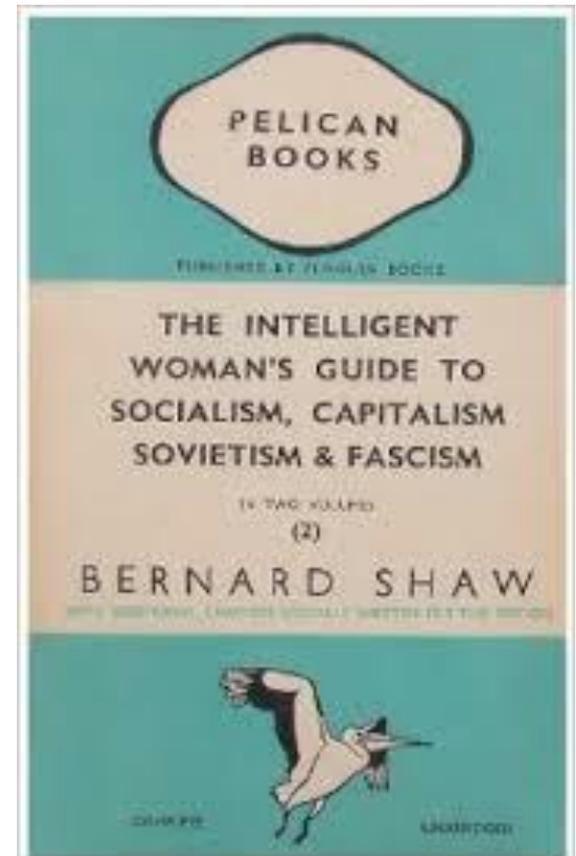
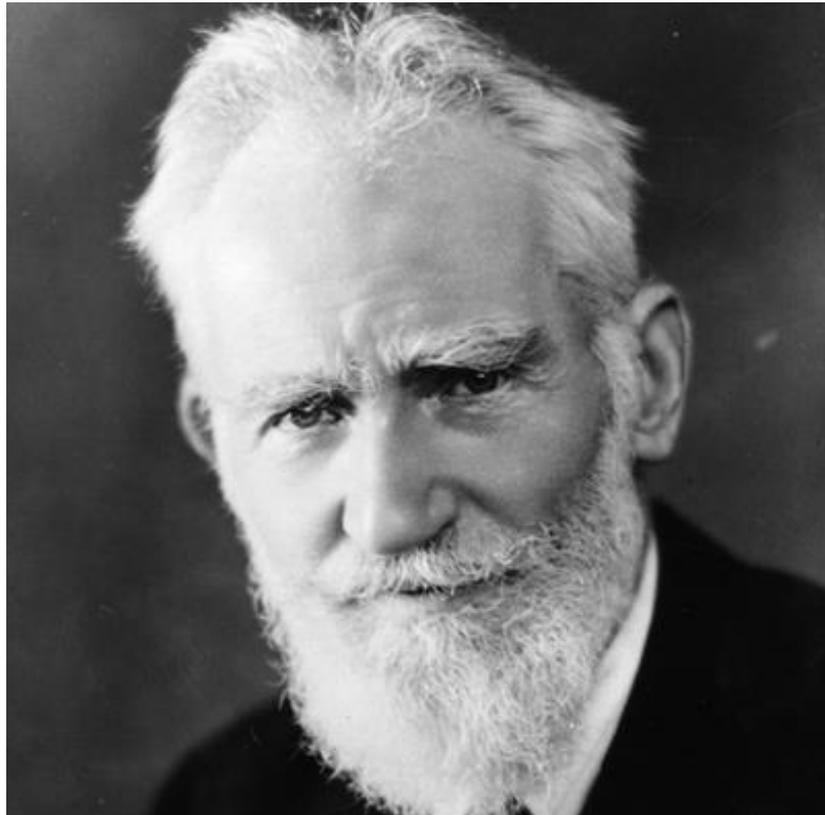


A PELICAN
INTRODUCTION

Economics: The User's Guide Ha-Joon Chang

So, what is different about this book? I

- Nothing that cannot be understood by someone with a secondary education (Hopefully, a lot easier to read than the first ever Pelican paperback, George Bernard Shaw's *The Intelligent Woman's Guide to Socialism, Capitalism, Sovietism and Fascism*)



GRAHAM CHAPMAN · JOHN CLEESE · TERRY GILLIAM · ERIC IDLE · TERRY JONES · MICHAEL PALIN

MONTY PYTHON'S

**AND NOW FOR
SOMETHING FOR
COMPLETELY
DIFFERENT**



DVD

THE BEST OF MONTY PYTHON'S FLYING CIRCUS

12

Table of Contents

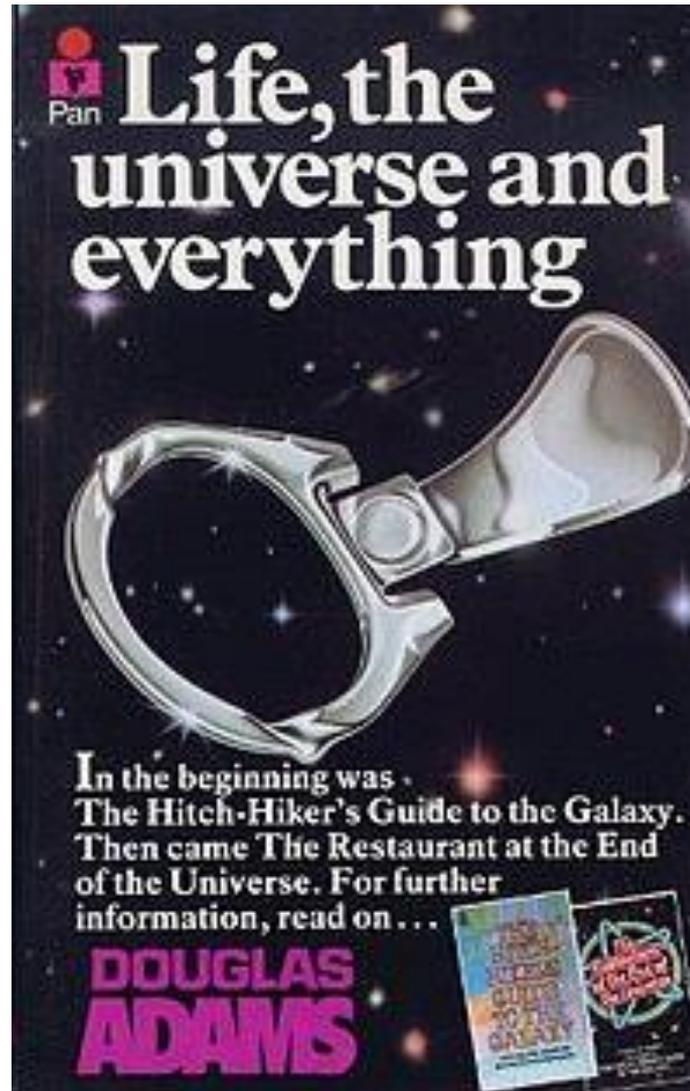
- **PROLOGUE.** Why Bother?: Why do you need to learn economics?
- **INTERLUDE I:** How to read this book
- **PART I.** Getting used to it
 - Chapter 1. Life, The Universe, and Everything: What is economics?
 - Chapter 2. From Pin to PIN: Capitalism 1776 and 2014
 - Chapter 3. How have we got here?: A brief history of capitalism
 - Chapter 4. Let a hundred flowers bloom: How to ‘do’ economics
 - Chapter 5. Dramatis Personae: Who are the economic actors?
- **INTERLUDE II:** Moving on ...
- **PART II.** Using it
 - Chapter 6. How many do you want it to be?: Output, income, and happiness
 - Chapter 7. How does your garden grow?: The world of production
 - Chapter 8. Trouble at the Fidelity Fiduciary Bank: Finance
 - Chapter 9. Boris’s goat should drop dead: Inequality and poverty
 - Chapter 10. I’ve known a few people who’ve worked: Work and unemployment
 - Chapter 11. Leviathan or the Philosopher King?: The role of the state
 - Chapter 12. ‘All things in prolific abundance’: The international dimension
- **EPILOGUE.** What now?: How can we use economics to make our economy better?

So, what is different about this book? II

- Neglected topics:
 - What is economics?
 - History of capitalism
 - Different schools of economics
 - Production
 - Work
- Emphasis on ‘real life numbers’
 - But with due scepticism
 - “Everything factual is already a theory.”
(Johann Wolfgang von Goethe)

What is economics? I

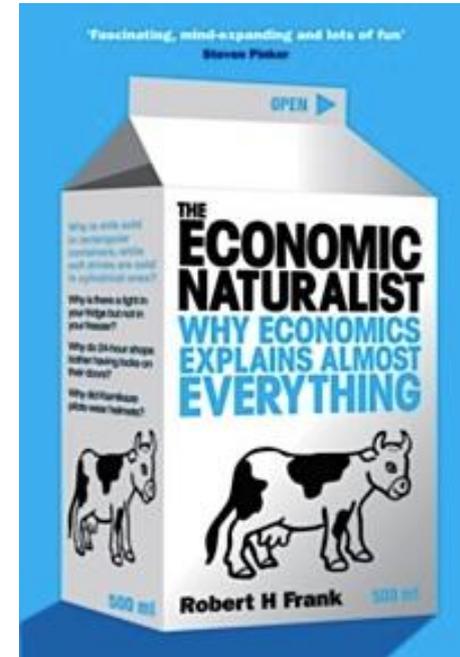
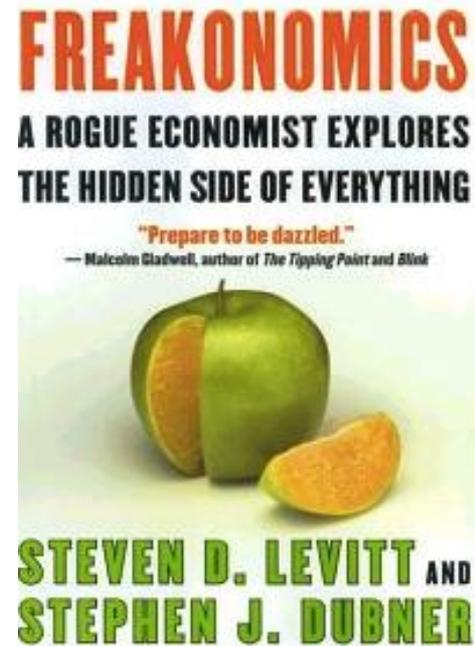
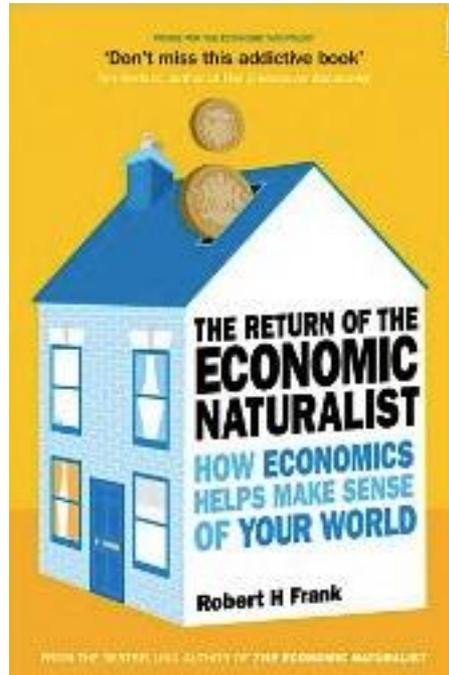
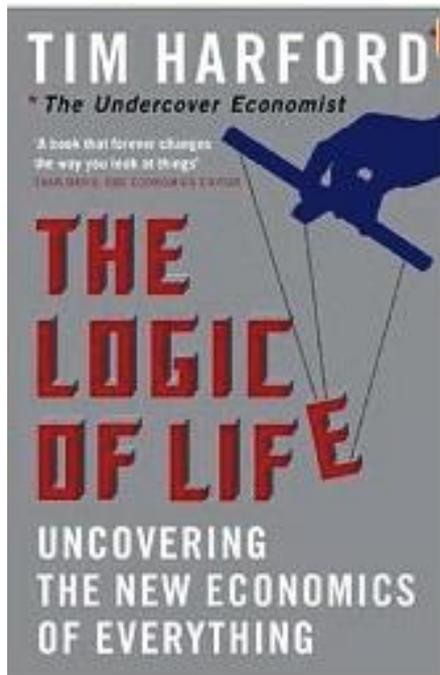
- Economics is supposed to be about





What is economics? II

- Really, it is supposed to explain 'Life, the Universe (or at least the World), and (almost) Everything'.



The Economist

SEPTEMBER 20TH - 26TH 2008

www.economist.com

Who killed New Labour?

The war in Pakistan's tribal areas

America's unending culture wars

How to save fish

The last typewriter-repair man

What next?



What is economics? III

- The standard definition: Economics is “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (Lionel Robbins, *An Essay on the Nature and Significance of Economic Science*. 1932)
 - So, there is only one way to do economics – that is, rational choice theory
- But, economics should be defined *not* in terms of its methodology, or theoretical approach, *but* in terms of its subject matter, that is, the economy (money, jobs, transfers, consumption, production).
 - If you follow this definition, there are many different ways of studying economics (biology vs. economics).

Many Different Schools of Economics

- At least nine major schools of economics
 - **Classical**
 - **Neoclassical**
 - Marxist
 - Keynesian
 - Schumpeterian (neo-Schumpeterian)
 - **Austrian**
 - Institutionalism (Old and New)
 - Behaviouralist
 - Developmentalist
- Several smaller schools
 - Neo-Ricardian, Latin American Structuralist, Evolutionary, Feminist, Ecological

We need diverse approaches to economics.
- ‘The Singapore Problem’ or
“Life is Stranger than Fiction.”



Let a hundred flowers bloom

- There isn't just one right way of doing economics but there are many schools of economics, each with its own strengths and weaknesses.
- No theory, in economics or elsewhere, can explain everything, so **we need to let a hundred flowers bloom.**
- However, recognising that there are different approaches is not enough.
- **The diversity needs to be preserved, or even encouraged.**
 - Especially in the longer run, a discipline that contains a variety of approaches can cope with a changing world better than one with a single approach.

Let a hundred flowers cross-fertilise

- I would go one step further and argue that we shouldn't just let a hundred flowers bloom but need to **have them cross-fertilised**.
- Different approaches to economics can actually benefit a lot from learning from each other, making our understanding of the economic world richer.
 - Even between schools that we think – and, more importantly, most of the members of the schools think – are incompatible with each other (e.g., Austrians-Marxists on technology, Keynesians-Austrians on uncertainty).
- **Don't be a 'man (or a woman) with a hammer'**
 - Get a Swiss army knife! (and the sense to judge which one to use)

23
THINGS
THEY
DON'T
TELL
YOU
ABOUT
CAPITALISM

'Shocking ...
masterful'
OBSERVER



THE No.1 INTERNATIONAL BESTSELLER

Ha-Joon Chang



What to do?

- Never trust an economist (and that includes me!)
 - The willingness to challenge professional economists – and other experts – should be a foundation of democracy.
- “Audite et alteram partem” (Listen even to the other side)
 - The need for humility and an open mind
- “Pessimism of the intellect, optimism of the will”
 - Changes are difficult to make, but even big ones are possible, if you try hard enough and long enough.
 - “It always seems impossible until it is done.” (Nelson Mandela)

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