

Lunch with the FT: Ha-Joon Chang

By David Pilling

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“How has this wonderful subject we call economics become so narrow-minded? I find that really sad.”

Over fish curry in Cambridge, the Korean economist and bestselling author says the time is right to embrace moral dilemmas as well as mathematical models

Ha-Joon Chang's hands are chopping the air like helicopter blades. He whirrs them in a tight 360-degree spin or brings them down on the beat like a conductor. Sometimes he tightens his fists to emphasise frustration, or holds his hands flat – palms upwards, fingers splayed – as though weighing two bags of rice. At one point he stretches both arms over his head before bringing them together as if along an invisible monkey bar. What could be prompting so much passion? You guessed it. We are talking economics.

In Chang's hands, though, economics is not dry. The 50-year-old South Korean-born academic is the author of several bestselling books on the subject, leavened with wit and bearing provocative titles such as [23 Things They Don't Tell You About Capitalism](#) (2010) and *Bad Samaritans: The Guilty Secrets of Rich Nations and the Threat to Global Prosperity* (2007). His *23 Things*, which claims that free markets don't exist and that the washing machine changed society more than the internet, has sold 650,000 copies and been translated into 32 languages. All in all, he estimates, his books have been bought by more than 1.3m people – not bad for an economist who turned up in Cambridge 27 years ago barely able to speak English. Yet in an email sent before we meet, he spells out an irony. “I am one of the most successful economists, according to what markets tell us, though most of my professional colleagues, who are much keener to accept market outcomes than I am, would dismiss me as a crank or – the worst of all abuses among economists – a ‘sociologist’.”

Chang conducts his guerrilla war against economic orthodoxy from a cramped office at Cambridge university's Sidgwick site. For him, economics is a tool for changing the world, not for explaining why the world is as we find it. He is a reader at Cambridge rather than a full professor, a relative sidelining he attributes to his heterodox approach. “I don't do maths,” he says, blinking softly through his round, silver-rimmed spectacles. “A lot of economists think I'm not an economist.”

He is, though, a star with a big following. In the wake of the global financial crisis, organisations such as the [International Monetary Fund](#) – which used to regard him as “an oddity” – regularly invite him to speak. Still, he reckons the economics profession overall remains resistant to fresh ideas, clinging to its status as a pseudoscience undergirded by unbreakable mathematical rules. “These things do not change overnight. The German physicist Max Planck once said science progresses one funeral at a time.”

We have come to the Rice Boat, a Keralan restaurant specialising in south Indian cuisine. A 10-minute walk from Chang's office, it has become his unofficial canteen. The restaurant is large and, when we walk in, entirely empty, though Chang assures me it's heaving in the evenings. The walls are a garish yellow and hung with the sort of Indian paintings you might find at a car-boot sale. The bathroom lights don't work and I am handed a lightsaber-type wand to negotiate the darkness. The food, despite the unpromising surroundings, turns out to be excellent.

Chang recommends chicken, lamb and tuna cutlets as a starter followed by Kerala red fish curry and the restaurant's "famous" Kerala beef fry. "You can have beef here because they are Christians." We also choose appam, a spongy pancake made with fermented rice and coconut milk, some chapattis, and a portion of Kerala boiled rice, which Chang explains is fluffier than the Basmati variety. I wonder if he'd like to join me for a beer. "I don't drink at lunchtime because I'm very weak at alcohol like most Asians," he says apologetically, ordering a sweet lassi instead. I decide not to let down the journalistic profession and select a bottle of Konrad 11, a sharp and tangy Czech lager.

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Chang is dressed in academic casual, an open-neck shirt and slacks. His fringe is as jagged as a graph of booms and busts – absent Keynesian countercyclical spending – and his kindly face boyishly pudgy. As he marshals argument after argument against his intellectual enemies, I think of a teddy bear savaging a Rottweiler.

"The predominant view in the profession is that there's one particular way of doing economics. It's basically to set up some mathematical model, the more complicated the better," he says, advocating instead what he calls a multidisciplinary approach. "In a biology department, you have people doing all sorts of different things. So some do DNA analysis, others do anatomy, some people go and sit with gorillas in the forests of Burundi, and others do experiments with rats. But they are called biologists because biologists recognise that living organisms are complex things and you cannot understand them only at one level. So why can't economists become like that? Yes, you do need people crunching numbers, but you also need people going to factories and doing surveys, you need people watching political changes to see what's going on."

The cutlets arrive with a clatter. Chang squeezes on lemon juice and cuts them up so we can share. The chicken is sumptuously juicy.

Doesn't the success of *Freakonomics* (2005), written by Steven Levitt and Stephen Dubner, disprove his notion that economics is closed to new approaches? "They don't get huge brownie points for writing for the general public because a lot of economists have a very dim view of what the general public can understand," he says. "But the *Freakonomics* guys are accepted as part of the mainstream because they have this very particular view of human behaviour, which is 'rational choice'. That is: 'We are all selfish, we basically do our best to promote our self-interest and that choice is made in a rational way.'"

"I don't take that view," he says, cramming in a piece of lamb before he continues. "Rational thinking is an important aspect of human nature, but we have

imagination, we have ambition, we have irrational fear, we are swayed by other people, we get indoctrinated and we get influenced by advertising,” he says. “Even if we are actually rational, leaving it to the market may produce collectively irrational outcomes. So when a bubble develops it is rational for individuals to keep inflating the bubble, thinking that they can pull out at the last minute and make a lot of money. But collectively speaking...” His hands create a bomb blast above the cutlets.

He takes a slurp of lassi and smiles beatifically. I ask how the economics profession has been hijacked by a single methodology. “Hijacked, yes. I think that’s right,” he says, evidently pleased with my choice of word. “Unfortunately, a lot of economists wanted to make their subject a science. So the more what you do resembles physics or chemistry the more credible you become. The economics profession is like the Catholic clergy. In the old days, they refused to translate the Bible, so unless you knew Latin you couldn’t read it. Today, unless you are good at maths and statistics, you cannot penetrate the economic literature.”

This, he says, leaves economic decision-making to a high priesthood of technocrats and central bankers. “Fat chance that a union official in Bradford will be able to beat the academic spouting rational choice theory,” he says. This – and here is his punchline – suits those with money and power. “If you have a professor from MIT or Oxford saying that things are as they are because they have to be, then as a person benefiting from the status quo you can’t be happier.”

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As our main course arrives the table begins to fill with a fantastic array of curries and breads. I’m famished and eating faster than Chang. The beef, full of competing flavours, is particularly terrific. “A lot of social democrats bought into that fairy tale [of market perfection],” he says. “That’s why I am writing these popular books, because people have been told a very particular story and they need some antidote to it. I’m not saying I have some kind of monopoly over truth, but at least you need to hear a different side of the story.”

We turn to his childhood, when he witnessed first-hand how economic policies can transform a country’s fortunes. He was born in Seoul in 1963. His father was a finance ministry official and his mother a teacher. Two years before Chang was born, Korea’s gross domestic product per capita was \$82 compared with \$179 in Ghana. He remembers how red the soil was in Seoul, now one of the world’s most neon-filled cities, because all the trees had been cut down for firewood. “I wasn’t deprived,” says Chang, who grew up in a house with two maids and the neighbourhood’s first television set. “But poverty was everywhere.”

Park Chung-hee had recently seized power in a military coup. Korea established a steel industry, a seemingly eccentric choice for a country without iron ore (it had to import it from Australia and Canada) or coking coal. Yet steel became a foundation of Korea’s industrial success. Chang believes that Park, though a dictator, made some smart choices and that the only countries to have prospered are those that ignored the siren call of free markets and comparative advantage – the idea that you stick to growing bananas if you’re a tropical island – and planned their escape from poverty.

Chang took those ideas with him to Cambridge in 1986, where he studied first for a masters and then a PhD on industrial policy. His first impression was how quiet England was. "In those days, everything closed at five o'clock and nothing was open on Sunday. Coming from Asia, it was like walking into a ghost town." But the UK also had its charms: "I used to joke that I came to England – not to the US where most Koreans go – because I like Arthur Conan Doyle and Agatha Christie."

His studies consolidated his thinking. Countries, he argued, needed to develop their capabilities, just as a child's potential is stretched in school. In 1955, for example, when General Motors alone was producing 3.5m cars, Japan had 11 or 12 manufacturers collectively producing 70,000. "From the short-term point of view, it was madness for Japan to try to develop an auto industry," he says. "Except that the Japanese realised, 'We will get nowhere if we stick to what we are already good at, like silk.'"

But can't the protection of infant industries go terribly wrong? In countries such as Argentina and India, closed economies led to lazy monopolies selling shoddy goods in the name of self-sufficiency. Chang agrees. Only those states that forced their entrepreneurs to compete internationally succeeded, he says. "In *Bad Samaritans*, I have this chapter called 'My Six-Year Old Son Should Get a Job'. I'm trying to explain that the reason I don't send this little guy to the labour market is because I believe that it pays, in the long run, for him to have an education rather than shining shoes and selling chewing gum. Protection is given with a view to eventually pushing your companies into the world market in the same way that you send your kids to school but [you] don't subsidise them until they're 45."

He tears the appam and hands me a piece. It's airy and faintly sweet and wonderful for mopping up the curry. "We have been led to believe that the market is some kind of natural phenomenon. But in the end, the market is a political construct." The regulations around us – for instance those banning child labour or private money-printing – are invisible, he says. He cites the example of how Park's government engineered a 30 per cent jump in wages through a massive shrinkage of the labour force. It was achieved, he explains, by making education compulsory up to the age of 12, removing at a stroke millions of children from the labour pool. Policy changed the market reality.

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As Chang turns to the fish curry, I ask about his family. He met his Korean wife in 1992 and married her the following year. "As a good Korean I am very impatient," he grins. He has two children. His son, now 13, is still being sheltered at school from a career in shoe shining. His daughter is reading history at Oxford university. So she's broken out of the economics trap, I say. "Good for her," he replies, raising his lassi.

We order a double espresso for Chang and black filter coffee for me. We've been talking for nearly two hours but he still has bags of energy and I still have bags of questions. What's all this about the washing machine and the internet?

"I was not trying to dismiss the importance of the internet revolution but I think its importance has been exaggerated partly because people who write about

these things are usually middle-aged men who have never used a washing machine,” he replies. “It’s human nature to think that the changes you are living through are the most momentous, but you need to put these things into perspective. I brought up the washing machine to highlight the fact that even the humblest thing can have huge consequences. The washing machine, piped gas, running water and all these mundane household technologies enabled women to enter the labour market, which then meant that they had fewer children, had them later, invested more in each of them, especially female children. That changed their bargaining positions within the household and in wider society, giving women votes and endless changes. It has transformed the way we live.”

Finally, I ask whether he thinks economics is a moral pursuit. Chang’s starting point seems to be that economic policies can make the world better. “Moral dilemmas are unavoidable,” he says as I signal for the bill. “Don’t forget that, at least in this country, economics used to be a branch of moral philosophy. Adam Smith, Karl Marx, Joseph Schumpeter – they’re not just writing about economics, but about politics and culture and society and morality.” He drains his cup. “How has this wonderful subject we call economics become so narrow-minded? I find that really sad.”

David Pilling is the FT’s Asia editor