



World Economics Association NEWSLETTERS

Economics: The User's Guide by Ha-Joon Chang – reviewed

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Thanks! That's the word that came to my mind when I finished reading this original, valuable text. It comes to fill a void in the toolkit of any lecturer to college students and non professional audiences interested in economic development and policies. With a unique mixture of recognition of the merits of alternative economic theories, reverence for historical facts, systematic reference to real-life numbers and an enviable sense of humor, Ha-Joon Chang manages to present economics as a user friendly, relevant and passionately exciting craft!

Through carefully sequenced chapters, spiced by illustrative quotes from novels, newspapers, speeches, movies and TV series, the Guide exposes the reader to economics' fundamental concepts, actors, ideas and transformations. This exposition evidences that valuable conclusions on key real-life issues – concerning nations, firms, states, classes or individuals – can be drawn from a discursive application of alternative economic theories.

Combined with excellent narrative capacities, this comprehensive view of alternative economic theories plus attention to political and historical considerations, the User's Guide is an important vehicle to discover Economics as a relevant, useful practice. Perhaps its major contribution is to emphasize that there is no unique, intellectually correct, economic theory, applicable *urbi et orbi*. On the contrary, there are many analytically robust economic theories, , though supported by different assumptions in particular on who are the dominant actors in the economy, how they set their goals and interact to meet them under social, political and historical constraints and in a climate of uncertainty.

Economics: the User's Guide is characterized by a conspicuous absence of algebraic formulae, equations, diagrams, figures and statistical tables. Instead, its arguments are presented through discursive reasoning relying on a variety of

economic theories. The approach seemed explicitly chosen so as not to scare mathematically shy students and also to emphasise that economics is not an exact science of mathematical precision. It succeeds on both grounds. Economics is presented as a heterogeneous, friendly and far from solemn discipline with a toolkit derived from a gamut of alternative theoretical frameworks aimed at understanding real-life economic challenges: unemployment, poverty, inequality, and financial crises. This collection of alternative theories is tailored to understand the world economy and, if possible, to change it.

The emphasis on the diversity of economic theories and on making persistent reference to real-life data has additional benefits. On the one hand it trains the reader to pose different questions about real-life economic situations. On the other, and most important, it invites him or her to examine them from multiple angles and to try to answer them by relying on contributions from the different economic theories examined in the book.

The analytical toolkit presented in this book broadens the reader's capacity to understand major economic problems and principles. It does this much better than the standard introductory textbooks where utility and profit maximizing agents interacting in perfectly competitive markets are at the core of economic analysis, where reference to real-life data is the exception, and where the importance of historical, political or ideological influences tends to be minimized or dismissed.

The book is organized in two parts, plus an epilogue. The first part introduces the key tools and actors of the economy. Two of its elements are in stark contrast with mainstream approaches. The first is the inclusion of a succinct, well written history of capitalism. This inclusion, as the author states, is done based on the firm conviction that, in order to understand the current state and prospects of any given economy, one must be aware of its history, how it came to be. History has no substitute for understanding the constraints that are faced for assessing, to an extent, the room for maneuver with policy options. Recognition of the relevance of history is largely absent in mainstream introductory books.

A second even rarer trait of Part 1 is the identification and detailed explanation of the main alternative schools of economic thought: Classical, Neoclassical, Marxist, Developmentalist, Austrian, Schumpeterian, Keynesian, Institutional and Behaviouralist. The assumptions, theoretical basis, strengths and limitations of each one are briefly but deeply analyzed.

The second Part sees the tools applied to analyze key issues, ranging over economic welfare, the role of industry, work and unemployment, finance, inequality and poverty. In this Part the author identifies key debates that have shaped, or are still shaping, our views on the issues explored. This second part closes with a discussion of the roles of the State and the market in the economy, as well as the relevance of the international economy.

The epilogue stresses the merits of methodology adopted. I would stress three recommendations. 1. "Economics is a political argument". Thus in the analysis of any economic decision or policy prescription, one should always find out who will benefit from its application. Who benefits from applying or not applying a specific policy or agenda is at least as important, and perhaps even more so, than any efficiency or efficacy considerations posed in this context. 2. The diversity of economic theories is a plus in the analysis of economic problems and principles, by allowing the possibility to focus on different aspects with different methodologies. 3. A fundamental piece of advice is that people should use the new knowledge to become "an active economic citizen" that pushes for better economic policies.

Developing countries, including Mexico, would be more likely to succeed in their quest for economic growth cum equality if economic leaders read this simple, original, most valuable contribution by Professor Chang, absorb the advise and thus "learn how to think, not what to think about economics...".

In this regard, and posing the key question, Cui bono? Who benefits from this book? Many, many audiences. In particular young students in high school or early years of college, eager to understand economics in order to try to change the world! No introductory book would be better to fulfill their enthusiastic expectations and build their knowledge of the various economic theories and their applications to understand the world. Whether they will eventually transform it, is a different matter. In any case, again, Thanks.

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