Commenting on the work of the (South Korean) Cambridge University economist Ha-Joon Chang, Martin Woolf in Financial Times engaged in typical neoliberal newspeak, describing Chang as „probably the world’s most effective critic of globalization“. He is nothing of the sort, but a fierce opponent of neoliberal dogmas instead. His book *Bad Samaritans: The Guilty Secrets of Rich Nations & The Threat to Global Prosperity* is a finely tuned critique of neoliberal theory and practice, set against many of the myths carefully inculcated by mainstream politics, the mass media and orthodox academic circles over several recent decades.

Chang’s account, rich in factual detail and empirical support, ripostes to most of the basic popular preconceptions surrounding the „free market“ policies advanced by global and national political and economic elites. It systematically demonstrates how the turbo-capitalist, „one-size fits all“ discourse of „privatisation, deregulation and liberalisation“ (along with low inflation, balancing of the budget etc. – continually imposed on developing countries by the Western elites and their compradorial partners in the satellite, client states – do not have much credibility as far as needs for economic development and social progress are concerned. Instead, these policies aim to pull developing and transitional economies into rich countries’ (and, more directly, rich companies’) accumulation cycles, stifling their own endogenous resources and potentials.

In 1841, the German economist Georg Friedrich List famously accused Britain of „kicking away the ladder“, preaching and imposing „free trade“ after it had attained economic supremacy through high tariffs and extensive state subsidies¹. Wealthy, powerful „Western“ states, Britain included, continue to apply this classical model of malevolent paternalism, feigned concern designed to conceal a self-serving motivation.

Chang points to the instrumentalisation of rich countries’ aid budgets, of the promise of foreign investment, and of the access to their home markets, as inducements for developing countries to adopt neoliberal economic policies. Echoing the agenda of its leading member-states, the IMF and the WTO condition their loans on the implementation of neoliberal reforms (like the privatisation of state-owned companies, the reduction in social budgets and the elimination of protectionist barriers), while the WTO tends to insist on „free trade“ in industries where the powerful countries are robust while failing to install such trading rules in areas in which the leading countries do not dominate (like textiles or agriculture). Thus, for instance, „even though the rich countries have low average protection (...) poor countries face higher tariffs than rich countries. (...) As a result, in 2002, India

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¹ Incidentally, this was the year when Britain declared war on China for its opposition to the unrestricted British exporting of an illegal narcotic (opium) from the British colony India to the British vassal state China, which culminated in the Treaty of Nanking that forced China to „lease“ Hong Kong to the British Empire.
paid more tariffs to the US government than Britain did, despite the fact that the size of its economy was less than one-third that of the UK" (p. 75). The manoeuvring space of the developed nations is also preserved through exceptions to economic rules which allow subsidies for agriculture, basic R&D, and the reduction of regional disparities – precisely those fields beneficial to the interests of developed countries. A similar illustration of non-authenticity of the notion of a „level-playing field“ has been the imposition of the TRIPS (Trade-related Intellectual Property Rights) agreement, which entrenched patent rights and intellectual property rights, mainly the preserve of rich Western nations.

In the world of global economic governance plutocracy has replaced democracy, and the one-dollar-one-vote system means that the rich countries control 60% of voting shares in the IMF and the World Bank. The World Trade Organisation is nominally democratic (China and Luxembourg have the same number of votes), but Chang observes that it is effectively run by an oligarchy of richest countries, and that crucial ministerial meetings (such as the ones in Geneva in 1998, in Seattle in 1999, in Doha in 2001, and in Cancun in 2003) were held on a „by-invitation-only“ basis in so-called Green Rooms. Mafia style, some delegates from developing countries who tried to attend these closed meetings were even physically thrown out. Chang points out that threats and bribery in international economic negotiations are also commonplace.

The neoliberal agenda-setters, in powerful and weak countries alike, typically point to the rise of the „Asian tigers“ as an example of neoliberal efficiency, its economic and social superiority. The reality was in many ways diametrically opposed to these claims. Chang emphasises how South Korea, represented as a neoliberal prodigy, tenaciously employed measures such as tariff protection, subsidies and other forms of state support in order to foster and shield some industries (which were selected by the government in conjunction with the private sector), until they could withstand foreign competition. The state also retained possession of the entire banking sector, unapologetically (and pragmatically) setting up state-owned enterprises and taking over private companies if they were mismanaged. Taiwan, China, India and others also made use of similar forms of state intervention. Even Chile, sometimes hailed as the most illustrious example of neoliberal success (after the CIA-sponsored coup against the democratically elected socialist government of Salvador Allende), took on a much more interventionist attitude after its financial crash of 1982, when it nationalised its entire banking sector, which was followed by the allocation of significant state support to private companies in overseas marketing and R&D, the introduction of capital controls to combat short-term speculative funds in the 1990s, etc.

Chang is also illuminative on the question of state ownership, which is the central anathema of „free market“ capitalists. He points out that „(t)he economic successes of many European economies, such as Austria, Finland, France, Norway and Italy after the Second World War, were achieved with very large SOE [state-owned enterprise] sectors at least until the 1980s. In Finland and France especially, the SOE sector was at the forefront of technological modernization“ (p. 110). Very large SOE sectors still exist in „Asian tigers“ such as China, Taiwan, and indeed the famed, supposedly „neoliberal“ Singapore, whose state-owned sector is twice the size of Korea’s, which is significant as well. Chang manages to grasp the anti-democratic content which is at the heart of demands for reduced governmental involvement in the economy – privatisation and „liberalisation“ aim to minimise scope for policy discretion.
Democracy is acceptable to neo-liberals only in so far as it does not contradict the free market; this is why some of them saw no contradiction between supporting the Pinochet dictatorship and praising democracy. (...) Unlike their intellectual predecessors, neo-liberals live in an era when they cannot openly oppose democracy, so they try to do it by discrediting politics in general. By discrediting politics in general, they gain legitimacy for their actions that take away decision powers from the democratically elected representatives. In doing so, neo-liberals have succeeded in diminishing the scope for democratic control without ever openly criticising democracy itself (p. 176). In the same key, he observes one of the strategic aims behind the neoliberal emphasis on „depoliticated“, rigid monetary and fiscal policies aimed at lowering inflation: they also diminish room for policy intervention, helping to inaugurate and preserve the independence of national central banks from the state, and from any form of democratic accountability. Chang does not deny the negativities of high inflation, but seeks to demonstrate how moderate inflation can actually be congruent with accelerated economic growth, and argues that positive aspects of low inflation are often counterbalanced by the reduction of workers’ future earnings through reduced growth, reduced employment prospects and reduced wage rates (on the other hand, financial industry benefits from low inflation, as its profits depend on financial assets with fixed returns). Chang puts monetarist arguments to the test by documenting certain cases in which a glaring absence of correlation between prosperity and anti-inflationist policies can be observed. For instance, Brazil’s average inflation rate in the 60s and 70s was 42%, yet the country’s per capita income grew annually by 4.5% in this period. Conversely, the growth in its per capita income was sharply reduced when its inflation rate was lowered. South Korea’s development tells a similar story. These perplexing cases (from the vantage point of official monetarist dogma) demonstrate that the richest countries do not maintain their monetarist prescriptions out of altruism for developing countries, but rather to erode developmental strategies which favour investment, demand management and growth. Developing countries, which need to accelerate growth, investments and jobs most, are therefore often forced by the IMF to balance their budgets every year. Instead of following their own advice which they present to developing countries, rich and powerful countries regularly reduce their own interest rates and increase state deficit in order to stimulate economic demand. „When Korea was in its biggest-ever financial crisis in 1997, the IMF allowed the country to run budget deficits equivalent to only 0.8% of GDP (and, at that, after trying the opposite for several months, with disastrous consequences); when Sweden had a similar problem (due to the ill-managed opening-up of its capital market, as was the case with Korea in 1997) in the early 1990s, its budget deficits were, in proportional terms, ten times that (8% of its GDP)” (pp. 158–9). Even the administration of a fervent „free marketer“ such as George W. Bush engaged in extensive deficit spending (and, one might add, the present recession helps reveal just how extravagantly detached most leading capitalist metropoles were from their own recipes of „fiscal prudence“).

Additionally, Chang helps dispel some of the prevailing assumptions regarding FDI (foreign direct investment), stressing that its prevalent form is „brownfield“ (and often parasitic and asset-stripping) rather than „greenfield“ investment, although he acknowledges its potential benefits in some cases, such as the generation of foreign currency through exporting, and in particular its possible „spill-over“ effects in terms of its impact on national productive capabilities. Chang
notes that, unsurprisingly, many highly successful economies – including very much the US, Japan, China, Korea, Taiwan, UK, France, Germany etc. – have imposed strict regulation of FDI. FDI was strategically directed and controlled even by the neoliberal mascots that were Ireland and Singapore. Still more, the often celebrated Finnish economic „miracle“ was, deliberately, quite endogenous and characterised by very low levels of foreign investment. This is all a world apart from the *laissez-faire* stance towards transnational companies which the developing countries are forced to assume, largely through WTO’s TRIMS (Trade-related Investment Measures) agreement – which has outlawed local content requirements, export requirements etc. – and through further liberalisation ensured by GATS (General Agreement on Trade in Services). Chang adroitly probes the contradictions in the neoliberal narrative regarding investment regulation: „(I)f firms have become so mobile as to make national regulation powerless, why are the Bad Samaritan rich countries so keen on making developing countries sign up to all those international agreements that restrict their ability to regulate foreign investment? (...) The very fact that rich countries want to impose all these restrictions on developing countries by means of international agreements reveals that regulation of FDI is not yet futile after all“ (p. 98). As the economic success of China (and of Scandinavian countries for instance) powerfully demonstrates, corporations are more interested in the host country’s market potential, the quality of its labour force and its infrastructure, than in its level of regulation.

Fundamentally, as Chang highlights, „practically all of today’s developed countries, including Britain and the US, the supposed homes of the free market and free trade, have become rich on the basis of policy recipes that go against neo-liberal economics“ (Chang, p. 15). Especially since the days of Robert Walpole in early 18th century, Britain adopted heavily protectionist and interventionist policies designed to protect „infant industries“, and it „adopted free trade only when it acquired a technological lead over its competitors 'behind high and long-lasting tariff barriers‘“ (p. 48). Jean-Baptiste Colbert was essentially a French equivalent of this state activism, and France transformed its economy after World War II through extensive „indicative“ (instead of compulsory) planning and strategic industrial investment through state-owned banks. In the US, it was Alexander Hamilton who first managed to force through a programme for „infant industry“ promotion. Abraham Lincoln, having defeated agrarian Confederate states which continually tried to lower industrial tariffs, raised US industrial tariffs to their hitherto historically highest level. Until the First World War, US tariffs on manufactured imports were the highest in the world. Indeed, „Britain and the US (...) had been the two most protectionist economies among rich countries“ (p. 57). In contrast to the prevailing dogma that the initial development of rich countries relied on „free market“ policies, „virtually all successful countries used some mixture of protection, subsidies and regulation“ (p. 61) in the course of their maturation. Additionally, the US, the UK and other leading economies continue to promote central industries through public funding, R&D, etc. Chang calls attention to the discrepancies between official neoliberal proclamations and the rich countries’ present record „on policies regarding foreign investment, state-owned enterprises, macroeconomic management and political institutions“ (p. 15). Having reconstructed the official version of their history, and of their present, rich countries have engaged in forceful advocacy (and outright imposition) of the very policy prescriptions they *did not* accept in the course of their own early development, nor do they
genuinely accept today. The economic policies which the rich required and used in the early days of their growth are most strictly forbidden to developing nations.

Chang makes a conclusive argument that neoliberalism has failed even according to its own narrow-minded criteria of success. The introduction of deregulated, globalised markets has not only led to an explosion in inequality; it has also failed to deliver on its basic promise, as growth levels have fallen in the past two and a half decades. In contrast, the 1960s and 1970s, when developed and developing countries alike pursued Keynesian and/or proto-socialist policies such as state intervention and protectionism, were the age of Industrial Revolution in the Third World, and per capita income in developing countries rose by 3.0%\(^2\). By comparison, the figure for rich countries in their 19th century Industrial Revolutions was 1–1.5%. Since the beginning of the neoliberal onslaught in the 1980s, growth in developing countries fell by half (to 1.7%), and by a third in developed countries (from 3.2% to 2.1%). Chang notes that the slowdown in growth would have been even more drastic in the developing world had China and India been foolish enough to accept the neoliberal agenda which was forced on weaker countries. African nations, where per capita incomes grew by 1–2% in the progressive anti-colonial period of the 1960s and 1970s, have been kept on a tight leash by the IMF and the World Bank since the 1980s. This resulted in a falling standard of living (which has included millions of debt slaves, tens of millions dying from infectious diseases, and hundreds of millions of starving people).

Furthermore, in addition to its failure in delivering equality and growth, the implementation of the neoliberal doctrine has failed to bring economic (and social) security and stability. Instead, as Chang pointed out (even before the latest crisis), „(t)he world, especially the developing world, has seen more frequent and larger-scale financial crises since the 1980s“ (p. 28). The post-WWII Keynesian „golden age“ of state-led industrialisation, brought about as a result of the anti-colonial, democratic and socialist tectonic shifts in global politics, had led to historic social and economic advances: „During the period of controlled globalization underpinned by nationalistic policies between the 1950s and the 1970s, the world economy, especially in the developing world, was growing faster, was more stable and had more equitable income distribution than in the past two and a half decades of rapid and uncontrolled neo-liberal globalization“ (p. 31). In contrast to the received wisdom of recent decades, post-WWII development of poor nations didn’t fundamentally conflict with the welfare and stability of Western societies. The corrective influence of Cold War positioning on the behaviour of the US and other Western powers, and especially the assertiveness of decolonising and developing countries, meant that the less developed economies were to a large degree allowed to pursue policies which protected their nascent industries. Mostly as a result of this (relatively non-dogmatic) planning in numerous developing as well as developed countries, the period between 1950–1973 was characterised by rising standards of living worldwide. „Per capita income growth rate shot up from 1.3% in the liberal golden age (1870–1913) to 4.1% in Europe. (...) These spectacular growth performances were combined with low income inequality and economic stability“ (p. 63). The per capita income in developing countries grew at „twice the rate they have recorded since the 1980s under neo-liberal policies“ (p. 63).

Chang’s work is a brilliant call for analytical and strategic openness, a reso-

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lute negation of the claim that there is no alternative but to shun fair trade and discard national economic sovereignty, which is a neoliberal determinism on a par with Stalinist "historical necessity". Unlike many quasi-Keynesian opportunists, he does not gloss over the potential for widespread corruption through deregulation and privatisation: "Deregulation of the economy in general, and the introduction of greater market forces in the management of the government more specifically, has often increased, rather than reduced, corruption" (p. 180). He bluntly states that "privatization (...) can be a recipe for disaster, especially in developing countries that lack the necessary regulatory capabilities" (p. 119), as well as that "(s)ome of the world’s best firms are owned and run by the state" (pp. 17–18). Still, progressive as these arguments and assertions are in the present situation, Chang also devoted the latter part of his book to a deepening of his critique to some of the fundamental structural defects in the present socio-economic system. A progressive technocratic critique of neoliberalism is often as far as heterodox economists are currently willing to go. Commendably, Chang goes further to uncover some basic issues regarding social and economic democratisation. He recognises that "market and democracy clash at a fundamental level. Democracy runs the principle of ‘one man (one person), one vote’. The market runs on the principle of ‘one dollar, one vote’. Naturally, the former gives equal weight to each person, regardless of the money she/he has. The latter gives greater weight to richer people. Therefore, democratic decisions usually subvert the logic of the market" (p. 172).

Yet, despite this valiant step, his open-mindedness towards state ownership does not also result in a sufficiently sustain attempt to consider genuinely public, democratic and co-operative forms of ownership. Even in his latest (also brilliant) book, 23 Things They Don’t Tell You About Capitalism (Penguin Books, 2010), which broadens and in some respects deepens the arguments made in Bad Samaritans, Chang could have discussed the subject of workplace democracy at more length. In this latest book, his position on workplace democracy is refreshingly progressive, yet he doesn’t give it quite the attention it deserves. Thus he fails to emphasise mention (for instance) the work of the 2009 Nobel Laureate in Economics Elinor Ostrom, who has shown that social ownership is in fact more efficient in the management of public resources than both private and state ownership. Nonetheless, Chang (as well as some of the more "mainstream" critical economists, such as Stiglitz and Krugman) helps to carve out a discursive terrain more amenable to radical critiques of capitalism. It is the task of the democratic Left to take advantage of this new space and plant ideas and arguments that will advance an authentic political, economic and social democracy.

Mladen Jakopović


Susret sa knjigom Mladen Lazića Čekajući kapitalizam, znači susret:
1. sa kritičkom analizom najznačajnijih teorijskih i empirijskih doprinosova svjetske sociologije na ovom području sa ne-
sumnjivim unapređenjima najznačajnijih teorija klasa i klasnog djelovanja, a ne njihovim jednostranim negiranjem;
2. sa originalnim teorijskim i empirijskim nalazima koji svojom preciznošću i