

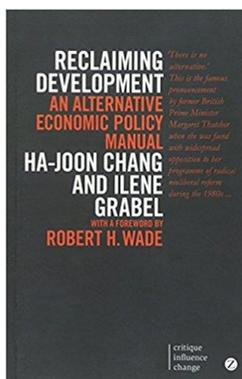
Reclaiming Development: An Alternative Economic Policy Manual

Ha-Joon Chang and Ilene Grabel, with a foreword by Robert H. Wade

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The notorious claim of the neoliberals is that ‘there is no alternative’ and a great deal of money and effort have been expended to try to squash anyone who disagrees with this position. In most western countries, political parties of the centre and centre-left have become intertwined with the interests of the rich, of bankers and the international financial system. As a result, their political offerings have become deracinated and unappealing to the working classes which used to elect them. That a political alternative is popular has been shown by the events in Greece and Spain and by the mildly social democratic manifestoes of Bernie Sanders and Jeremy Corbyn. An alternative, then, is required. What would

it look like? To a considerable extent, this has already been answered in the work of Ha-Joon Chang and, with this book, his co-author Ilene Grabel. Chang has consistently taken a common sense approach to economics, informed by historical evidence, which has enabled him to point out the significant difference between what the supporters of the Washington Consensus wish to inflict on other countries and how their own countries actually behaved so as to achieve the economic success they have done. In short, the historical record shows that economic success is achieved through protecting and promoting infant industries, placing barriers to unwanted trade and providing subsidies in a variety of different ways for the home economy.

In this book, Chang and Grabel set themselves the task first of all of demolishing the free trade approach of the Washington Consensus supporters and then by suggesting alternative policies likely to perform better. In the first section, the argument is furthered by considering six myths: ‘today’s wealthy countries achieved success through a steadfast commitment to the free market;’ ‘neoliberalism works;’ ‘neoliberal globalization cannot and should not be stopped;’ ‘the neoliberal American model of capitalism represents the ideal that all developing countries should seek to replicate;’ ‘the East Asian model is idiosyncratic, the Anglo-American model is universal’ and ‘developing countries need the discipline provided by international institutions and by politically independent domestic policymaking institutions.’ The authors dispense with these shibboleths quite easily – perhaps too easily, since it is difficult to imagine opponents of this position to be persuaded without a great deal more data and dealing with all the whataboutery that would be involved. At which point, then, it might be as well to consider what the authors believe to be the purpose of the book. By using language that is accessible but with arguments that would be

useful both to general readers and development economists, they outline their goals in this way:

“Our greatest hope for this book is that it is useful, empowering and accessible. We hope that it stimulates discussion of the ways that development policies can be reclaimed by those seeking to promote rapid economic development around the world that is equitable, stable and sustainable (p.4).”

The book was originally published in 2004, when the prospects for introducing the policies outlined seemed rather less possible than it does now. Despite the East Asian Financial Crisis (and its most obvious lesson: Dr. Mahathir's firm capital controls ensured that Malaysia emerged more quickly and stronger than the other countries affected), history was almost immediately being rewritten with the claim that the crisis arose from crony capitalism and that it was because capitalism was not being done properly that the crisis began in the first place rather than the inherent instability of capitalism that was to blame. Now (or, at least, in 2014) the seemingly endless crisis of austerity had destroyed so much and was ruining so many lives that people were willing to consider alternatives that the corporate media had been assuring them did not exist or, if they did exist, would be disastrous or dangerous or, at least, ruinously expensive. As people say here in Thailand, more or less, it is an opportunity for the frog to come out of the coconut shell and look at the whole of the sky.

In the second part of the book, which occupies three quarters of its length, policy prescriptions are advanced in five areas: trade and industry; privatization and intellectual property rights; international private capital flows; domestic financial regulation and macroeconomic policies and institutions. The ideas provided are clear and comprehensible. In some cases,

they have been shown to work and, in others, they seem likely to have positive outcomes. For example, with respect to foreign direct investment (FDI), the authors write:

“... FDI policy stands the best chance of achieving developmental objectives if it is firmly tied to national development and/or industrial policy plans. Countries like Korea and Taiwan are known to have used strict regulation on FDI in most industries, while also taking a very liberal attitude towards FDI in others. This mixture of restrictive and illiberal policies was possible because the government developed a clear FDI strategy but differentiated among industries (p.145).”

In other words, there should be no attempt to find the solution that is the one size that fits all but, rather, the policymakers of individual states should take good stock of their specific situation, their configuration of resources and their cultural and geographical contexts and design developmental goals and plans accordingly. Certainly it is possible to learn from elsewhere but that does not mean importing programmes wholesale. Instead, the overall developmental objectives should be linked to particular policies that will contribute towards achieving those objectives. Those same policymakers will find much in this book to help them achieve this planning and implementation.

John Walsh, Shinawatra University