23 Things They Don’t Tell You About Capitalism Summary

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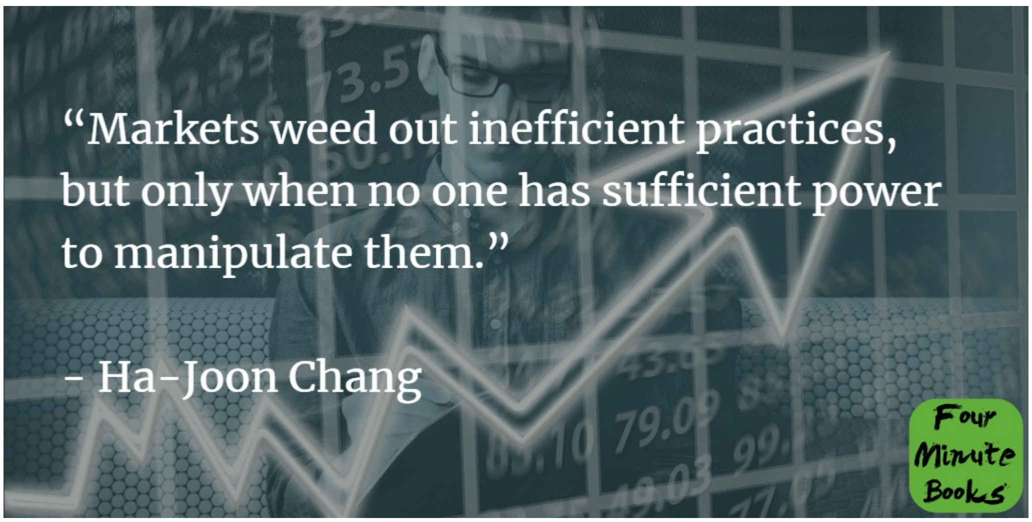
1-Sentence-Summary: *23 Things They Don’t Tell You About Capitalism will help you think more clearly about our current economic state by uncovering the hidden consequences of free market capitalism and offering solutions that could give us all a more fair world.*

Read in: 4 minutes

Favorite quote from the author:



If you listen to economic experts in newspapers or on TV, they talk as if there’s only one theory to follow: free market economics. This method centers around letting supply and demand govern reign supreme. It prizes little government involvement in the financial world.

Although it sounds appealing, there is a lot wrong with this view. Other than not being very scientific, it’s based on many false ideas about the way society and the economy work. The good news is that there are other options, but unfortunately these are ignored by the media and we never hear about them.

In Ha-Joon Chang’s *23 Things They Don’t Tell You About Capitalism*, you’ll learn all about the problems with free market economics. More importantly, though, you will get a picture of how we can solve these issues and the better world they may offer everybody.

Here are the 3 most interesting lessons I’ve learned about capitalism:

1. The free market ideology bases its assumptions on the misguided notion that people make completely rational financial decisions, but government intervention can help.

2. Although many are afraid of politicians getting their planning into the economy, it's already happening and doing well.
3. Capitalism isn't at fault for our problems, but the way we design it is.

Get ready for a crash course on economics! Let's go!

Lesson 1: Your financial choices aren't rational and businesses take advantage of that, but governmental economic planning can help fix that.

In the late 90s two economists named Robert Merton and Myron Scholes received the Nobel Prize for their work. Centering around the idea that people always make rational financial choices, they began applying their theories in the real world. Rather than making it big, however, these two ended up broke.

While we want to think we act rationally when it comes to finances, the truth is most of us cannot. The fatal flaw in their ideas is similar and foundational to many of the assumptions of free market economics.

In reality, making completely rational choices requires having every possible detail and taking it into account. Our best actions come when we look at all scenarios and alternative routes. **Unfortunately, there's no way that any of us can get that kind of vast information for every money decision we have to make.** Thus, our choices aren't rational but instead are limited to *bounded rationality*, which we'll explain further in a moment.

If the government were to step in and limit economic choices, we could make better selections. Given only options we can understand, our ability to thrive economically would improve. It's not such a wild idea to do this, either. The government already limits drugs and unsafe cars to help keep us safe.

Lesson 2: Despite fears of governmental economic planning, implementing it the right way can be wildly beneficial.

The big question on everyone's minds with this issue is whether or not the government should interfere with the economy. While a free market economist might tell you no, they'd likely cite the failure of this pattern in the Soviet Bloc. You might hear that because it failed there, it will fail everywhere else, too. But that's not the case.

A government can do a great job of guiding the economy if given the right amount of control. The problem in the Soviet Bloc was that they had too much authority. **A little guidance from the state, who often knows more about the whole economy than**

individual companies, can go a long way.

Take the experience of LG in South Korea, for example. The company originally wanted to go into the textile business, but the government saw a better opportunity. Carefully guiding LG to move into the electronic market, they paved the way for the well-known and successful enterprise that the company is today.

Even in the United States, the government has already guided the market in the past. If it weren't for their helping hand, aircraft, biotech, and internet industries might not be as successful.

Lesson 3: **Capitalism isn't such a bad thing, it's how we apply it to our world that causes problems.**

There are good and bad things about the current way we view the economy. Capitalism certainly has its benefits. The profit motive, or people's desire to make money, drives people to innovate and create new inventions that make society better. Additionally, capitalism helps regulate the economy by making sure we have enough plumbers and not too many rock stars.

Think of capitalism like a car. Without seat belts or brakes, the vehicle is likely to crash, causing damage and injury. But given proper safety standards, cars provide many opportunities otherwise unavailable to the owner.

The same is true of economics. If we let the market run rampant, like free market capitalism does, it could be dangerous. With some small amount of governmental control, however, we get the opportunity for a safer, fairer, and better system.

This is where we come back to the idea of bounded rationality, which says that humans are better at making decisions when options are limited. With a little more power, our politicians could help us have a better economic system. For example, leaders could guide banks to not make risky investment choices. Improving our system in these small ways could provide big opportunities for making our world a better place.

23 Things They Don't Tell You About Capitalism Review

While *23 Things They Don't Tell You About Capitalism* was somewhat technical for my taste, I learned a lot from it. I think it's wise to challenge the way things have always been, and doing so for capitalism is enlightening. I especially enjoyed the conclusion that capitalism itself isn't the issue, but rather the way we implement it.

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Who would I recommend the 23 Things They Don’t Tell You About Capitalism summary to?

The 22-year-old economics student who questions what they are taught at university, the 42-year-old who was hit hard by the financial crisis of 2008, and anyone who is curious about the pros and cons of free market capitalism.