



***The Armchair Economist:
Economics & Everyday Life***
by Steven E. Landsburg

New York: The Free Press. Hardcover
(1993), 241 pages, \$22.95, ISBN:
0029177758. Paperback (1995), 241 pages,
\$12.00, ISBN: 0029177766.



***Hidden Order: The
Economics of Everyday Life***
by David Friedman

New York: HarperBusiness.
Hardcover (1996), 352 pages, \$25.00,
ISBN: 0887307507; Paperback (1997),
320 pages, \$14.00, ISBN: 0887308856.



***Economics in One Lesson:
50th Anniversary Edition***
by Henry Hazlitt

San Francisco: Fox & Wilkes.
Hardcover (1996), 205 pages, \$19.95,
ISBN: 0930073207; Paperback (1996),
205 pages, \$9.95, ISBN 0930073193.

Non-sedating Economics: Three Book Reviews

by Robert F. Graboyes
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Equilibria #5, 1998/99

For decades, friends have asked me, "Can you recommend a good, readable book, written for laymen, that explains what economists do?" Until now, my answer has been a regretful "No." But some recent reading allows me to recommend three books that fill the bill.

Superlatives are always risky, but *The Armchair Economist* may be the greatest contribution economics has ever made to beach reading. It is small, cheap, readable, entertaining, informative, and intellectually solid. It gives a reader with no economics background a good idea of what economists do and how they do it. The prose is, in turn, witty, acid, endearing, outrageous, and scholarly—but almost always fun. And there is not one graph or equation.

The book bludgeons the common notion that economics is some dreary cross between accounting and necromancy—something that deals primarily with forecasting, money, and some amorphous beast known as "the economy." Landsburg sees economics as a lens through which one can view the whole of human behavior, as summed up in his sparse definition:

Most of economics can be summarized in four words: "People respond to incentives." The rest is commentary.

Then, Landsburg explores the economic aspects of human behavior in twenty-four chapters, each self-contained and none longer than a child's bedtime story. Along the way, he asks questions that the uninitiated may find odd for economics:

- If seat belts save lives of crash victims, can mandatory seat belt laws, nevertheless, kill more people than they save?
- Which gender benefits most from a legal ban on polygamy? What does the answer tell us about automobile manufacturers?
- Why do movie theaters charge high prices for popcorn? (If you think it's because the owner has a monopoly once you enter the theater, then explain why he doesn't charge for using the restrooms, over which his monopoly is even more secure.)
- Long ticket lines reduce the box office take for rock bands and alter the demographics of the audience; what does this have to do with t-shirts?
- How can each of two grocery stores claim (correctly) that the other store's prices are 5% higher than its own?
- Under what conditions is more illiteracy desirable?
- How do farmers in Iowa grow a crop of automobiles?
- Why do stores charge \$2.99 rather than \$3.00? (Hint: it has nothing to do with psychology.)

Above all, Landsburg presents economics as a framework for intellectual discipline, consistency, and honesty. The book is not perfect; Landsburg admits coming from a particular point of view and, some argue, bypasses the holes in that point of view. But he does give readers the tools with which to challenge him. And in one small book, he answers the question, "What do economists do, and how do they do it?" and does so with style.

Like Landsburg, Friedman begins with his own definition of economics:

Economics is that way of understanding behavior that starts from the assumption that individuals have objectives and tend to choose the correct ways to achieve them.

Hidden Order often reads a lot like *The Armchair Economist*. Both have a strong free-market point-of-view. (Friedman's father is Milton Friedman, perhaps the world's best-known free-market economist.) They share many specifics—movie popcorn, cars growing in Iowa, polygamy. The similarity is understandable; Landsburg and Friedman are friends and strongly influence one another.

Friedman's book, however, picks up where Landsburg's leaves off. *The Armchair Economist* is a grab bag of essays that can be read in any order; *Hidden Order* is structured—a book that should be read from start to finish. *Armchair* bounces between both micro- and macroeconomics; *Hidden Order* mostly sticks to micro. Landsburg uses an in-your-face style that takes no prisoners; Friedman is equally sure in his assertions, but employs kinder, gentler prose. Landsburg uses no equations or diagrams; Friedman uses a few. Landsburg imparts mainly the intuition of economics; Friedman develops the tools of the trade—the various curves and methods that one might find in an introductory economics textbook.

In fact, *Hidden Order* is a stripped-down version of Friedman's *Price Theory* textbook. [To read or download the textbook, free-of-charge, go to <http://www.best.com/~ddfr/> and click on *Price Theory: An Intermediate Text*]

In the first hundred or so pages of *Hidden Order*, Friedman gives the novice at least a glimpse of the Promised Land of general equilibrium theory—quite a feat. Then, he launches into the theory of the firm, the time value of money, risk and uncertainty, efficiency, crime, love and marriage, politics, and the Rotten Kid Theorem. In short, he covers most of microeconomics.

Friedman peppers his book with references to Star Trek, ancient Viking/Irish military strategy, J.R.R. Tolkien, folk song lyrics, and other items not normally associated with economics. He guesses why it made good sense for British soldiers during the American Revolution to wear red uniforms and march in geometric patterns—practices often ridiculed in history textbooks. Finally, he even tosses in a couple of pretty good economics jokes. Ask your econ students to explain this one:

Two men encountered a hungry bear. One turned to run. "It's hopeless," the other told him, "you can't outrun a bear." "No," he replied. "But I might be able to outrun you."

Friedman's book presents so much material so clearly in such a small amount of space that, especially for non-economics majors, it can stand by itself as an introductory textbook.

The last of the books was the first written—in 1946. Since then, economists have established new domains for their science and have learned a great deal about its older domains. So, Hazlitt alone cannot illustrate the full panorama of economics today.

That said, *Economics in One Lesson* makes a splendid dessert to Landsburg's soup and Friedman's entrée. If the book were a star, it would be a white dwarf—tiny, hot, bright, and squeezing an awful lot of matter into a small space. As old as the book is, it is still a masterpiece of crystalline thought explained in journalist's prose. Like Landsburg and Friedman, Hazlitt began his book by reducing the whole of economics to a single sentence:

The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups.

Hazlitt goes from one fallacy to another, shattering them as he goes. If nothing else, it would be helpful for every economics teacher and student to read Hazlitt's Chapter 2 ("The Broken Window"). Borrowing a parable spun by the 19th century economist Frederic Bastiat, Hazlitt lays bare an economic fallacy ever-present on the nightly news—a fallacy that oozes its way into common conversation, into the press, and into the worst excesses of public policy.