Books on economics for serious beginners

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People often ask me what to read to learn the type of basic economic theory that is taught in university graduate and undergraduate courses. This is somewhat difficult because most writers for the general public have some sort of political axe to grind and present a one-sided version of the theory, or a complete alternative to the theory. I have nothing against such writers, but I will always suggest that readers also/instead of/before reading these political pleadings, find out what the general “received wisdom” is.

It may seem that there is no “received wisdom” that is shared by most economists, but this is not the case. Except in the area of macroeconomic policy, there are few disagreements. In the macroeconomic area, the standard models are pretty awful, but economic policy types have deeper problems: general models can show you the general direction of effects, but when there are offsetting directions, only quantitative evidence can supply a credible answer. For instance, increasing government expenditure to lower the unemployment rate may be offset by the effects of government debt on interest, inflation, and growth rates. Only careful attention to details can determine the net effect of the policy, and even this is subject to significant error. However, you cannot even begin to assess economic policy seriously unless you know basic economic theory.

The books reviewed here are basic starting points for gaining a facility in economic theory. Alternatively, you can simply buy one of the leading undergraduate textbooks and plow through it. The textbook will be more demanding, very fat, and quite expensive. Before doing this, I advise that you tackle one or more of the above volumes. They are all quite good, and it wouldn’t hurt to read them all. But, here are my impressions.

**Charles Wheelan, Naked Economics: Undressing the Dismal Science (W.W. Norton, 2010)**

Wheelan explains the benefits and limitations of markets, the benefits and limitations of government interventions, the basics of finance (especially, how to avoid the costly errors that about 50% of investors are prone to make, such as believing they can pick winners), and the role of international competition. There is nothing that Wheelan asserts that I think is not 100% correct, including his exposition of development economics and globalization. Highly recommended.

**Sean Flynn, Economics For Dummies (Wiley, 2011)**

Economics for Dummies is the most sophisticated of the three books and covers extremely important material left out of the others. This includes an analysis of property right, market externality, public goods, asymmetric information, and other absolutely fundamental aspects of modern economic theory, which is really the theory of the interaction between markets and macroeconomic regulation for efficiency and stability. It rather weak on national income accounting (none of the books is strong in this very difficult area), and it does no general equilibrium analysis (e.g., the very instructive Edgeworth box is missing). Finally, the book rather slights statistical information on the economy and gives little historical perspective.

**Tom Gorman, The Complete Idiot’s Guide to Economics (Penguin, 2003)**

The Complete Idiot’s Guide to Economics is a little out of date (2003), and is especially concerned with regulatory policy in dealing with volatile economies. It has lots of interesting statistics, and gives a detailed explanation of the Federal Reserve and its operation. It is similarly strong on analyzing international trade and exchange rates. Read this after Economics for Dummies.

**Steve Slavin, Economics: A Self-Teaching Guide (Wiley, 1999)**

Economics: A Self-Teaching Guide cannot deal with recent economic issues because it was published in 1999, but it is well worth reading. It is especially strong on economic history and it presents in some detain the various schools of thought in macroeconomic theory. It also does considerable national income accounting, which I consider a prerequisite to understanding current economic issues. Its microeconomics sections are rather brief. It is certainly not a substitute for Economics for Dummies.

If readers have comments and/or suggestions of these or other candidates for learning basic economic theory, please pass them on to me at hgintis@comcast.net.