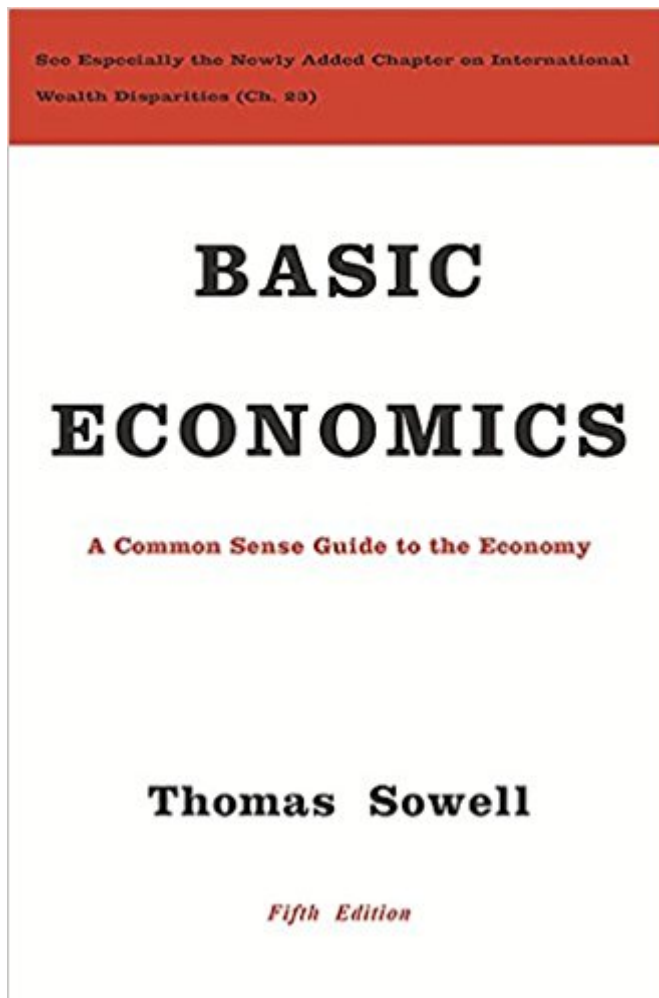


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# Basic Economics



## Synopsis

In this fifth edition of *Basic Economics*, Thomas Sowell revises and updates his popular book on common sense economics, bringing the world into clearer focus through a basic understanding of the fundamental economic principles and how they explain our lives. Drawing on lively examples from around the world and from centuries of history, Sowell explains basic economic principles for the general public in plain English. *Basic Economics*, which has now been translated into six languages and has additional material online, remains true to its core principle: that the fundamental facts and principles of economics do not require jargon, graphs, or equations, and can be learned in a relaxed and even enjoyable way.

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## Customer Reviews

"Clear and concise . . . Among economists of the past thirty years, [Sowell] stands very proud indeed." --Wall Street Journal "At last there is a citizen's guide to the economy, written by an economist who uses plain English . . . A comprehensive survey." --Business Wire --This text refers to the MP3 CD edition.

Thomas Sowell is the Rose and Milton Friedman Senior Fellow at the Hoover Institution and has taught economics at Cornell, UCLA, and Amherst. Author of *Intellectuals and Society* and the classic *Basic Economics*, among others, Sowell lives in Stanford, California.

What sets Thomas Sowell apart from many economists and intellectuals is his ability to present complex ideas with both clarity and simplicity. As he himself once noted, "If academic writings were difficult because of the deep thoughts involved, that might be understandable, even if frustrating. Seldom is that the case, however. Jaw-breaking words often cover up very sloppy thinking." For Sowell, economics is no exception. In *Basic Economics*, he reminds you that economics is the study of the use of scarce resources which have alternative uses. And with this fundamental truth in mind we see a master expositor at work. He derives many economic principles from this easily forgotten fact, offering you real-life examples along the way. This book was, of course, written for the layman. In fact, no prior knowledge of economics is needed before you read it. Yet the book is of such breadth and depth that economist Dr. Walter Williams says "it provides an understanding of some economic phenomena that might prove elusive to a Ph.D. economist." As you read and become familiar with how Sowell thinks, you will yourself begin to think like an economist. You will learn to judge policies not by their proposed goals, but by the incentives they are likely to create, which may have the opposite effect of their intended goals. You will learn to think about not only a policy's immediate effects, but also its effects in the long run, and not only its effects to a specific group of people, but to everyone. In the process, many of your long-held cherished beliefs may be challenged. Consider, for instance, minimum wage laws. Sowell explains why increasing the price an employer must pay his employees--though put into law for benevolent reasons--can have unintended bad effects, like an increase in unemployment. He also explains why, for similar reasons, rent control decreases the quality of apartment buildings, or why lowering the price of gas can cause a shortage. This 5th edition of *Basic Economics* includes a new chapter on international disparities in wealth. An insightful chapter, Sowell explains why some countries enjoy luxury while others suffer poverty, pointing to such commonly overlooked factors as geography and culture. Another addition is that this book ends with a section of questions covering important economic issues. If you don't know the answer to a question, it tells you where in the book you can find it. This is especially helpful for someone forgetful like me, who must regularly return to refresh on economics. It's also helpful for quizzing yourself to see how well you understood the information. To say that Sowell's books have boring covers and titles is an understatement. But they provide strong evidence for the claim that "you shouldn't judge a book by its cover." I recommend this book as a must-read to everyone, not just to aspiring economists. (I also highly recommend Henry Hazlitt's *Economics in One Lesson*.) However, I would be remiss if I did not include in this review any drawbacks, and there's a big one. *Basic Economics* will leave you more pessimistic for your country than before you opened it.

Somehow or another, Thomas Sowell only recently came across my radar. And since, I've listened to countless of his speeches, talks, and interviews on YouTube. I decided to purchase this 5th ed. of Basic Economics and I have not been disappointed. He writes in a very readable and compelling style so that his presentation of economics is very interesting and applicable. I am learning many things about how the economy works. For instance, living in Florida under the annual danger of hurricanes where the Governor can step in to prevent "price gouging," I was particularly interested in Sowell's explanation of the benefits of "price gouging" in that it creates an incentive for sellers to rush "to the area where the hurricane is likely to strike, before the hurricane actually gets there" in order to make additional profit. While this seems heartless, it benefits the economy because much needed supplies are provided and sellers get to make a little extra money doing it. Insert "price gouging" controls and these additional resources never arrive. Remove these controls and, as Sowell says, "Skyrocketing local prices can overcome the reluctance to take on these local obstacles that entail additional costs. Moreover, each supplier has incentives to try to be the first to arrive on the scene, since that is when prices will be highest, before additional suppliers arrive and their competition drives prices back down." Sowell goes on to say "But if only the usual prices in normal times can be expected, there is less incentive to incur the extra costs of rushing things to an area where disaster is expected to strike." What Sowell admits, is that everyone is greedy - the buyer and seller alike - so go ahead and keep the scales of greed balanced rather than over-balance it to one side or the other because "people tend to do more for their own benefit than for the benefit of others." When price controls like this are in effect - tipping the scales of greed in the favor of the buyer - people are more likely to buy much more than they may need leaving very few supplies for others while sellers are disincentivized from supplying more because there is no reward in it for them. But if the market were permitted to set its own prices, it would force us greedy buyers to ration how much we buy thus leaving resources for others to buy, forcing everyone to ration on their own. This was an argument I'd never heard of before and would love see any data on how it has played out anywhere, assuming it has been permitted to. I'm still plowing through the book though I've read several chapters but not in order. I certainly recommend this book because it demonstrates effective critical thinking to how economies work.

The book is very good because it gets you to start analyzing things with a logical and economical mind set. Sowell makes complex subjects easy and accessible to the general public, with straightforward explanations, logical methods of thinking and analysis and clear and simple

language. Sowell debunks many of the things that people believe to be true, such as rent control, minimum wage, price controls, etc... You get to realize that in economics intentions do not necessarily lead to results, that there are trade-offs, that there is an invisible side to the visible side, that one has to realize that in a world where there are scarce resources with alternative uses, where there are human incentives, and many other economic factors, talking about achieving certain results is not as easy as people would think and he gives many examples to show this (Soviet Union, price controls, minimum wage, tariffs etc..) This book is also great in that it shows you how senseless intellectuals, policy makers, politicians can be. It also shows you that government intervention in the economy is not desirable. This book is great, I'm glad I picked it up and read it, and recommended it to my friends. Sowell has a great mind. This book will either fix your logic or make it stronger. Truly A GREAT BOOK!!!

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