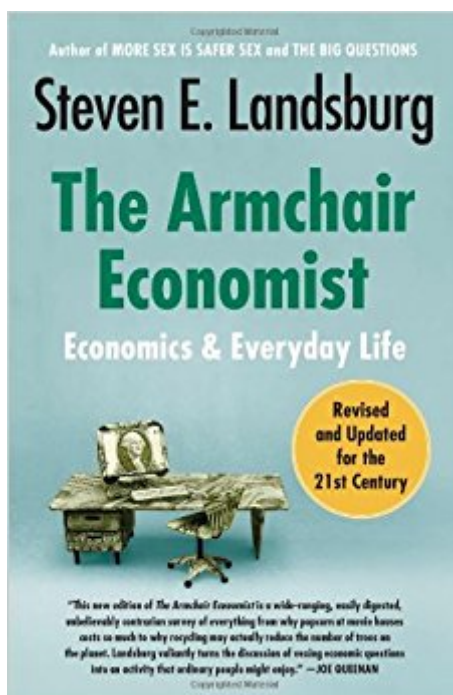


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# The Armchair Economist: Economics And Everyday Life



## Synopsis

The extensively revised and updated edition of Steven Landsburg's hugely popular book, *The Armchair Economist* "œa delightful compendium of quotidian examples illustrating important economic and financial theories" • (The Journal of Finance). In this revised and updated edition of Steven Landsburg's hugely popular book, he applies economic theory to today's most pressing concerns, answering a diverse range of daring questions, such as: Why are seat belts deadly? Why do celebrity endorsements sell products? Why are failed executives paid so much? Who should bear the cost of oil spills? Do government deficits matter? How is workplace safety bad for workers? What's wrong with the local foods movement? Which rich people can't be taxed? Why is rising unemployment sometimes good? Why do women pay more at the dry cleaner? Why is life full of disappointments? Whether these are nagging questions you've always had, or ones you never even thought to ask, this new edition of *The Armchair Economist* turns the eternal ideas of economic theory into concrete answers that you can use to navigate the challenges of contemporary life.

## Book Information

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## Customer Reviews

If you're remotely interested in economics, you should read this book; it's a hoot. Not too many books on economics could be described as a "hoot." But Steven Landsburg, an economics professor at the University of Chicago when he wrote this book (now he's at the University of Rochester), has a delightfully sharp sense of humor and a gift for clear, logical exposition. He also doesn't in the least mind naming names when it comes to egregious economic fallacies and the

people who commit them: he keeps a "Sound and Fury file" consisting of economic gaffes from the op-ed pages and he devotes a chapter to exposing the culprits. His theme is easily stated, and he states it on the first page: the substance of economic science is that people respond to incentives. "The rest," he writes in deliberate imitation of Rabbi Hillel, "is commentary." Landsburg fills the rest of the book with such commentary. His witty and occasionally sarcastic exposition deals neatly with such topics as why recycling paper doesn't really save trees; why certain statistics are not reliable measures of the "income gap" between rich and poor; why the GNP is not an especially accurate measure of national wealth; why unemployment isn't necessarily a bad thing; why taxes are a bad thing; why real economists don't care about what's "good for the economy" or endorse the pursuit of monetary profit apart from personal happiness; and lots of other points that will no doubt be profoundly irritating to people who just know he can't possibly be right. For example, Landsburg is delightfully allergic to the claims of the "environmental" movement and recognizes it quite clearly as a strongly moralistic religion.

"Why do rock concerts sell out in minutes -- couldn't the promoters raise the ticket prices?" "Why does movie popcorn cost so much?" "How much harm is caused by government debt?" "Why is it hard to measure inflation? Output? The rich/poor gap?" This book is a series of loosely organized essays about "how economists think." The target audience appears to be people like myself, who are interested in economics, but are not highly trained in the field. It's a good companion to "The Economics of Public Issues," which focuses on real-world illustrations of basic economic concepts. This book focuses on how to approach analyzing the real world for yourself. According to the Introduction, many of the essays have grown out of discussions Landsburg had with his regular lunch group ... and what lunches those must have been! Questions are raised, and explanations batted about and critiqued. Assuming that Landsburg is a typical economist, the book succeeds spectacularly in illustrating "how economists think." Many of the essays retain what must have been the original feel of the lunchtime debates (ideas are raised, then criticized, then rejected or refined) -- a form which sheds considerable light upon how economists approach problems. The essay about why economists are sometimes wrong is very enlightening. It describes why economists thought that unemployment and inflation were inversely related -- until government started acting on that assumption, which destroyed the relationship. While I'm not very good at macroeconomics, Landsburg's explanation of this is simple and persuasive, and creates more insights into how the study of economics works. As a series of essays, some are better than others. Landsburg slips easily between making arguments about issues to making assertions about issues.

Landsburg's book is entertaining and often witty, and written in a conversational, easy-to-read style. The book is very good at presenting often unintuitive and novel (to the non-economist) ways of looking at things. This is an invaluable book for pointing out common fallacies in arguments about deficits, inflation, unemployment, and other major political issues. At the same time, however, I can't help but think that Landsburg occasionally misses significant relevant issues, most glaringly in the final chapter on environmentalism. For example, Landsburg describes a case where Jack wants a woodland at the expense of Jill's parking space and vice versa, and argues that the desires are exactly symmetrical. While environmentalists claim that the wilderness should take precedence "because a decision to pave is 'irrevocable'", Landsburg says "a decision \_not\_ to pave is \_equally\_ irrevocable" because "Unless we pave today, my opportunity to park tomorrow is lost as irretrievably as tomorrow itself will be lost" (p. 224). While this is correct, this misses the environmentalist's point that it is much easier to convert woodland to parking lot than to do the reverse. The environmentalist fears taking actions that are irrevocable in the sense that they cannot be undone in the future. Landsburg's perspective throughout the book seems to me to ignore the possibility of actions taken which may have consequences which may adversely effect the very existence of mankind (or economic institutions). Another example in the same chapter is when he suggests that the best way for environmentalists to support the existence of cattle is to eat beef: "If you want ranchers to keep a lot of cattle, you should eat a lot of beef" (p. 225).

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