Economics Explained

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Economics Explained has an announced purpose to explain that mysterious thing called economics. But there is a new urgency to the book. It is announced in the first sentence of the introduction: "Just in case the reader-to-be hasn't noticed, disturbing things are going on in the American economy these days." This new edition is about these disturbing things: a trend toward inequality of incomes, the appearance of a new "globalized" capitalism, the "specter" of inflation. As before, Robert Heilbroner and Lester Thurow treat these problems in language that seeks to make clear their causes and treatments. In this straightforward, highly accessible reference, Heilbroner and Thurow--two of America's most respected and articulate economists--offer all the economics essential for becoming an effective investor, a savvy business decision maker, or simply an informed member of society.

Economics Explained Details

Date	:	Published May 5th 1998 by Touchstone (first published 1982)
ISBN	:	9780684846415
Author	:	Robert L. Heilbroner , Lester Carl Thurow
Format	:	Paperback 240 pages
Genre	:	Economics, Nonfiction, Finance, Business

From Reader Review Economics Explained for online ebook

Andrea says

The book explains the economic concepts clearly , so one easily understands them

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Luke Salmon says

I thought this book was pretty weak. I majored in business economics in college and wanted a refresher since that was over 10 years ago. There were several parts of the book where Heilbroner was talking about concepts that I was already familiar with, and I noticed that his explanations of these concepts were not clearly explained. I doubt I would have been able to grasp the ideas if I did not already know what he was trying to get at.

In addition, the book is random and meandering. It's almost as if Heilbroner is using stream of consciousness writing. It's like narration from somebody who obviously has an understanding of economic cause-and-effect, but happens to be drunk at the time of writing.

Perhaps the most redeeming quality of the book is accidental. It was written in 1982, so it's kind of fun and amusing to read about "current" economic trends from 33 years ago.

Riley Haas says

"The biggest problem with this book is the authors clearly intended it for an American audience only. They take it for granted that a country would spend so much on their military; the vast majority of examples are from or relating to the United States; and they discuss American economic problems from a "what is best for America" point of view. That's trying, to say the least. They also explain things cursorily a lot, and it's amazing how much more clear Tim Harford is when explaining similar things. That being said, it is a pretty complete look at the economy and they gave me some fodder in terms of defending the welfare state."

Nikos Bar says

An absolutely fabulous script of Economics for beginners.

Dorankagmail.com says

It's a really good book to understand economics. They make a traditionally dull subject fairly interesting. It would likely be tough to get through with zero understanding of economics as it gets fairly advanced, but does a decent job of explaining subjects from the beginning. It's a great book to gain knowledge of economics.

The rest of this review is notes I took while reading and not a review:

NoCapitalism - need to be able to own property and land. Have the choice to work. That's why it is new. Option to change jobs, not be a slave or apprentice like old times. Be able to gain and retain wealth from working. Caesar only became rich from being powerful, not vice versa. He conquered Spain and got wealthy, but only because he had a powerful army.

How did land, labor and capital become traded? 15th century Europe inflation from New world riches caused inflation, and Lords rates for serfs were set so they got much less actual money end became poor lords. City merchants became rich and used money to buy land. Before, no reason for technological change because no customers to sell any extra product too. And everyone very safe so nothing improved. With free market economy technology boomed

1800 - steel and iron Mills and looms for cloth led to bigger companies needed to keep up with huge machines fast production. More materials, more workers, bigger factories instead of homes, and needed to find a bigger market to sell the wares

Division of labor- everyone did specialized task. Result was everyone bound to the market because making a shoe heel not valuable without rest of the factory and market. No one was self sufficient any more

Capitalism leads to democracy

Adam Smith - wealth of Nations 1776 same year as declaration of Independence. Competition leads to market rate leads to not being able to have higher prices because people will buy from competitor.

Center of economic study started in Europe, Adam Smith 1776 one of first to make it a formal study. Economic thinking center shifted from Europe to the us after great depression 1929 and us became economic power House in the world during 20th century. China and Russia has revolutions to become communist in early 20th century and Russia overthrown again and lost communism 1991. In 21st century economic upheaval and recessions led to doubt in system, a huge area that looks like a flaw in the system is climate change caused by unregulated free market.

Karl Marx- problems with capitalism. Labor workforce underpaid. He was born in Germany and exiled to mainly London. Communist manifesto 1848. Also wrote capital but didn't finish it. Growth and evolution of capitalism is uncertain and not all puppies like Adam Smith says. Proletarianization is class struggle that will happen.

John Maynard Keynes ("canes") 1888-1946. Proponent of mixed economy where government plays big role. Book after great depression was general theory of employment, interest and capital. Thought there was no natural way to keep capitalism growing and would reach a equilibrium with high unemployment.

Fortune 500 is .1% of corporations but does 75% of sales.

Gross domestic product GDP is total value of output in economy. Also is private output + government public output. Government output small compared to private but it is a good chunk, and not just a drag on economy. Real GDP takes out inflation compared to nominal GDP. Then can use real GDP per capita to take out population growth effect on GDP

Big companies have a bigger share as economy has advanced due to economies of scale. Industries it matters for will go to whoever does Economy of scale first. Other reason for few big coldnes companies compared to 1900 is mergers. With globalization trend is reversing and companies want the be smaller and nimble in most industries

Government getting bigger - went from spending 10% of GDP to 20+% , 1929 only 1% redistribute as welfare now 11+. Why?- bigger companies need more reg to prevent monopolies and pollution. Everything is connected so need to have bris national programs for evergy, transportation etc.As tech grows need gov to supervise it

Microeconomics - worms eye view . Macroeconomics - bird's eye view. GDP made of consumers goods (things that end up being consimed or used by people) or investment goods like Bridges, office buildings, office furniture that never get used by regular people. Both count to GDP. Also includes human capital like education and knowledge from research and development. Public transfer payments (welfare, social security, unemployment) don't count towards GDP. Because it is reward for social programs not effort.

4 counters of GDP. Personal consumption, personal investment, government (should be split like personal but isn't) and net balance of import export.

Only final goods, bread, are tracked not intermediary (ingredients) because final includes value of all ingredients.

Money flows from consumer saving to company investment. This has to happen. If more people want to save and invest than there is demand for the goods in the economy there is deflation. If expanding sectors spend more than the money made available to them it causes upward pressure on the system and results in inflation and higher prices. P 86, it makes sense in the book. Prices are what makes the different parts coordinate, where to open a store, how much investment is needed etc

Government can also play investing role with any consumer savings that are extra since it has to all be used. Doesn't matter if the satellite is Verizon or government for the purpose of savings needing to be investment

Consumer spending is pretty much always based on the income at a pretty stable percent, exceptions of war time and depressions etc. Big long term purchases cars, TV's are more volatile than unstable items like restaurants food since those are needed. Consumption spending is not a driving force in GDP but a driven one. Wants alone don't drive economy upwards or else depressions would go up when everyone is hungry. It's must have money to spend and that is the base, ads always there to push spending to the max. Consumption by consumers doesn't really drive the economy at all it's basically a result and on the whole 95% in US of income gets spent and 5% saved with only rare or short term deviations.

Investment only happens when new stock or bonds are issued that the money is used to buy machinery or invest in something that will provide future profits. Investment is driving not driven force in economy.

Government is a buyer and a spender, bigger spender she the difference is transfer payments (welfare). Transfer payments do not add a penny to GDP. War spending adds to GDP and is about the same percent as 1940 spending. Transfers are much higher.

**Recessions are caused by more savings then investment by businesses. Government can fix this gap by spending the extra consumer savings. Also could try tax cuts to encourage investments by businesses

The Fed pretty much just controls the reserve rate. When it raises it Banks have less money to lend so things tighten up. When they lower the fractional reserve Banks have more money to lend (**and thus the banks can make more profit). The Fed can also let banks borrow money to add to their reserves and lend out. This is called the discount rate. Change the rate to make it more or less attractive to borrow. Third way to control money supply is bonds. To monetize the debt which adds money to the system they buy back government bonds which puts money in the bank account of the bond owner so they can invest more. They can also the the opposite - sell bonds, and the money from the purchaser disappears from the system. In these transfers of checking accounts there is basically no one on the other end so money supply goes up or down.

John Duff says

A well written overview of U.S. economics, albeit somewhat outdated, which highlights the fundamentals of macro and micro-economics as experienced in the U.S. While the title is misleading - as it conflates “economics” and capitalism – I recommend this book (or maybe an updated version) to anyone interested in obtaining an elementary understanding of U.S. economy. This may be something worth looking in to given the upcoming 2016 Presidential Elections. A three star rating is not due to the quality of content, but rather the outdated information and misleading title.

Erik Graff says

Having much enjoyed Heilbroner's The Worldly Philosophers, I picked this coauthored title up eagerly. It is not as fun--or funny--as that series of biographies of the great economists, but it is as easy to read and does serve as a very general introduction to economic theory. This edition, however, is dated by its attention to economic controversies current at the time of publication.

Greg says

This survey of economic theory is exceptional. It provides a wonderful mix of history, relevant examples, and theory. Rather than subscribing to one particular "school" it presents all the schools and their criticisms. This book should be required reading to students in high school, in my opinion, as all adults should have a working knowledge of economics.

See my other reviews here!

Mike says

A great picture of how economies work and the components contained within them. The authors use an excellent mixture of examples and real-life scenarios to break down a very complex subject.

Unfortunately, the use of examples backfires with the last revision being from 1998. The world economies have changed significantly since then (e.g. there is a quote about if/when the Euro is introduced), and much of the last third of the book feels like it needs to be revised

Overall, if you're looking for a better understanding about how the economy is affected by consumers, businesses, and government, I would highly suggest this book.

Patrick says

I think this an excellent primer to the unvarnished truth about our Capitalistic economy both the good and the bad which is excelllent.

Chap 1: Starts out with the history of capitalism started out with the institution of private property by law for everyone not just the monarchs which was then a command economy that stemmed from the monarchy and other forms of the market had to be based on tradition.

The book explains that market economy in which everything was seen as commodity first occurred when the peasants were thrown off the land and had to work for pay in the towns giving rise to labor as a commodity instead of divine formula that people had to perform. The second thing that occurred was the influx of gold from the New World created infationary prices that the merchant class benefitted from at the expense of the landed gentry. Furthermore because everythiing was becoming a commodity in this new world, techonological improvement began to increase leading to further opportunities for entrepreneurs but destabilizing those from the old order. Basically, capitalism brought about a steady increase of standard of livinng but within the road to progress periods of massive destabilization also occurred.

Chap 2. Deals with 3 great economist that influence Capitalism today

a) Adam Smith - the market are perfect in distributing resources where it is needed. All society benefits when markets are left alone because increase competition leads to improved productivity via increased division of labor and investments on machinary. The totality of this effect will increase the wealth of nations by increasing everyones standard of living.

b)Marx saw capitalism as a class struggle between profits and wages. He sees growth as having numerous pitfalls. Capitalism to him means an increase of big corporations who are better equiped to handle economic downturn than small business and the rest of society will be the proletariat who will have enough of Capitalism. His contribution to economics lies with the fact that he saw Capitalism as bumpy not a smooth curve of Adam Smith progress.

c) Keynes a child of the depression stated that government role in capitalism lies in momentarily helping the economy during a depression when there is no demand and thus the supply of labor and machines are idle. This is done by either momentary tax cuts or direct government spending in order to boost demand and to allocate the oversupply of labor and production to use.

Big things, I took out of this book---Whether we like it or not, government will meddle in the economy especially when the economy causes societal ill like pollution or drugs or prostitution. The economy's engine is when companies make capital investment through leveraging via the bank or issuance of stock and bonds not through consumer buying. Thus, today's prolonged economic recession is really due to companies who have profit not investing capital improvements in the US and banks not loaning the funds that the Fed lent to them.

The Feds role is to make sure inflation or depression does not take root in the economy by setting reserve rates, buying or selling T-back govt. bonds or raising of lowering interest rates.

With the advent of multinational firms and globalization, the national GNP and the national economy cannot be predicted with certainty.

Despite the fact that government has a role to step into during a demand gap during a recession, the economy with its ups and down only gets out of it decides to get out of it.

Economics is the easy part, the only reason government gets involved is due to political and moralistic implications of a blind-market economy.

David Smith says

This book is very insightful, but you should come into the book with a little bet of Economic knowledge since it is written by two professors one of which is the Professor of Economics at MIT's Sloan business school.

The most common phrase is "our answer is Yes and No..." which sets the tone for complexity in the balance required in economics and which sometimes leaves the reader without an exact way of measuring the benefit and the detriment of each consequence, or to put it shortly lost.

My favorite quotes sums up our current landscape:

"... it is merely a reminder of difficulty of doing business in a world that is hardly composed of like minded nations."

and

"Unlike any other social order, especially that of socialism in its Soviet form, capitalism thus contains a self-corrective potential... "

Matt says

A pretty decent book for what it is-- a basic overview of macro and microeconomic principles, with some interesting side investigations into the way the economy overlaps with politics and social issues. Mostly a pretty quick read, with few equations or other unneccessary complexities to throw off a newbie like me.

That said, it is pretty limited in its scope, to what we traditionally think of as the economy (supply and demand, taxation, transfer of payments, etc) and not so interested in applying the tools of economics (curves, decision making, rational actors acting in ignorance, etc) that seems to be the bulk of a book like Freakonomics. It maybe would be titled more accurately as "The Economy Explained" or even "Economies Explained," if that makes the distinction any clearer.

Too, I would need to read something else to understand investments and the way that the superrich got that way-- it's only one subject, but it's sort of interesting, or at least ordinarily mystifying to me, and this book didn't answer my questions sufficiently. But I'm a particular reader with particular interests, and it'd be wrong to fault the book for my peculiar interest. A good primer, and if I get the time, I'd like to read others like it.

Brian Quistorff says

Very good. Loved the summary of history of capitalism. This is what all people should learn in high school.

The part about wealth creation on the capital markets (determining I by knowing R and ROI for similar risk projects) and how that's different than savings or income~skills.

Also the difference for the Fed between a checking account (or demand deposit) and a savings account (certain measures of money supply (M1 M2, etc) count checking and not savings).

It was written in 1994 so they talk about stuff that today we aren't worried about. Inflation (we mostly know how to deal with). Fears of Germany and Japan leaving us behind (we have past both up again on productivity). How Japan has a wonderful synergy between government and business (w/ the 90s as a 'lost' decade for Japan and its banks we know the two shouldn't get in bed too much).

Cherif Jazra says

Truly enjoyed learning about micro and macro economics in this lucid exposition. Heilbroner and Thurow's great prose and economic clarity takes us through enlightening discussions about measuring economic outputs and understanding the way money flows in the economy, what tools are at the disposal of the fed in managing unemployment vs inflation, how the development of big business and multinational development affects relationship between economic actors and states, and how the pricing of the dollar with foreign exchanges evolve and affects economies. I particularly enjoyed the treatment of the 1980s Reagan eras which made me understand more deeply into the causes leading to high inflation in the late 70s and the "conscious" monetary policies constructed to create the 1981/1982 recession to curb this inflation. The accompanying crisis of a too strong dollar whereas high interest rates attracted foreign capital as well as the threat to setup trade barriers to counter stronger foreign productivity was dealt with the 1985 Plaza accord which brought together European, Japanese and Americans to devaluate the dollar.

Mohamed Almahdi says

It is important to understand history and compare it with our current status quo to realize how our society can be formed and shaped in various orders that may probably be much better than what we are living today. The authors start the book by explaining how we have reached this modern economy after centuries of different forms of pre-capitalist societies governed by primitive and traditional economy, an explanation of a transition phase in the life of mankind that can be understood and obtained from many other books about economy or history.

The authors then go through three prominent economists/philosophers (Smith, Marx and Keynes) who have made great contributions in explaining the capitalist economy and its mechanism, with a highlight of what they considered as manageable or unmanageable challenges caused by intrinsic flaws in the capitalist system itself. Each thinker suggested remedies to coupe with these problems which are briefly explained in the book.

After the introductory parts of the book the authors thoroughly discuss the modern economy from a variety of perspectives. Starting with the macro level, the authors demonstrate the economy as a bulk by introducing

parameters like the Real GDP, how it is calculated, and what its drawbacks are.
From the idea of the GDP onward, the authors explicitly show their pro-governmental intervention position in regulating the economy associated with the explanation of how economy functions. Their arguments have been very good and informative as I have never been totally aware of why liberals advocate excessive regulated economy. The authors' liberal orientation has been manifested throughout the book before the macro level part is fully explained. Again I do not consider the inclusion of their explicit opinion about their position in the government intervention debate as a drawback in the book. I have never read or gone through a detailed essay that lays down the essential arguments for a leftist economy before. So this book consists of many arguments and explanations that I believe have made my position, in the right/left economic debate, more neutral especially that I have always consider the Austrian School of Economics more interesting and promising, with a bit of adjustments of course.

Is it an essential read? I would say yes for those who would like to be exposed to an introductory explanation of the economic system that governs our lives today. I also recommend the book to those who are interested to understand economy from a pro-governmental planning/intervention point of view in the ongoing anti/pro planned economic debate. But this book would not explain how the economic cycle is viewed from another point of views of other economic schools and figures as the book has not been authored to provide a detailed argument against every pro-capitalist anti-interventionist argument. The authors do not mention anything about free market advocates like, for example, FA Hayek who was a prominent contemporary economist to John Maynard Keynes and indeed not less influential than he was, the book hardly mentions anything about the Austrian school or the Chicago School except for few highlights about their disagreement with Milton Friedman.

Is this book sufficient to understand how economics work? I would say no and reading additional books (or referring to online content) of different economic perspectives would make the picture clearer that there are many economic theories that can be implemented to induce different policies on our daily socioeconomic and political grounds.

The part that I have found to be very new and interesting is that about the economic problems that have emerged post globalization.
3.75 – 4 / 5.