

GENERAL INTRODUCTION

This book is a “popular” book about economics, like books of popular science. It explains the basics of economics and capitalism to a general audience. Anybody who has had an eighth grade education can follow it. Nothing depends on mathematics, charts, or graphs. All the arguments are self-contained in words. Half-a-dozen times the book uses arithmetic but you can always follow the examples and the main thread without the arithmetic. This book is for people who are not in school, for high school students, and for college students who likely will not take a regular course in economics. It is a good introduction to economics even for students that will take a regular course.

This paragraph was added in March 2012: This book was originally finished in middle 2007, and put on the Internet commercially in early 2008. In 2007, I wrote about problems in the housing market and financial market, and about a crisis on the horizon, but the crisis had not come yet, so I did not write about it specifically. Not much has really changed since 2008. We have the same underlying strengths and weaknesses. We have not changed the financial markets and housing markets that gave rise to the crisis. So this book is more relevant now than originally. If my only goal was to sell books, that fact might make me happy. Instead, I am sad that we have not gotten better, and I hope this book helps us see how to get better.

Main Tasks. The main tasks of the book are:

- (1) Provide the ideas needed to understand economics and capitalism.
- (2) Provide the ideas needed in case the reader later decides to take a course in economics.
- (3) Evaluate the major features of modern capitalist economies. Explain what works well and what causes problems.
- (4) Suggest approaches to some problems. These suggestions never get in the way of the other main tasks.

Some Points in the Book. The main points in evaluating capitalism are:

- (1) On the whole, the economy does well and serves people well.
- (2) Usually the economy works best when left alone.
- (3) To “leave the economy alone” is not a code phrase meaning, “Neglect the poor but help business firms and the wealthy”. To “leave the economy alone” means as little government intervention as possible. It means no programs favoring business groups or special interest groups. We need almost no growth incentives, tax breaks, help for particular industries, protection, or public-funded specialty museums.
- (4) Although the economy works best when left alone, the economy has flaws and problems. We have

to deal with those directly. There is a tension between the need to leave the economy alone and the need to intervene. When we are not sure, we should always not interfere.

(5) The biggest need for intervention comes from unemployment and poor employment. The United States has 5% to 8% of unavoidable unemployment. No amount of economic growth, no jobs programs, or any other program, can eliminate this minimum of unemployment. We have to learn to live with this unemployment and deal with it. This unemployment sustains other serious problems, such as class conflict, racism, and sexism. We can only address these problems honestly by giving direct help to the unemployed and the poorly employed.

(6) We also need to control monopolies and other kinds of unfair competition, minimize problems with pollution, and protect nature. We have to decide what kind of regulation and to what extent. We have to carry out regulation with little favoritism toward particular groups. Advanced capitalist countries have developed institutions for appropriate regulation. Although the institutions have made mistakes in the past, through experience they have evolved toward a good minimum set of actions for their missions.

(7) Economics cannot be done without using ideas about human nature and using moral ideas about what is right and wrong. I show where such ideas commonly appear in economics.

(8) To better explain human nature and the role of morality, I borrow from modern evolutionary theory. This book is not a Darwinist version of economics and capitalism. The main source of ideas is always mainstream economics. Darwinism adds depth to the main body of economic ideas.

(9) Because some problems in economics have no definite solution, people often fall back on ideologies. The ideologies often entail hidden self-interest or hidden moral points of view. I explain some major ideologies.

(10) The stereotypical Liberal response is to assume the economy needs a lot of care and that the state is always competent to intervene. In effect, Liberals assume the contradiction that the economy is so unhealthy as to need constant care but always healthy enough to withstand the effects of care. The Liberal attitude often is an indirect way of channeling funds to ethnic groups and social groups in return for political support.

(11) The stereotypical Conservative response is to deny problems. If the problems have to be admitted, then assume that promoting business or helping the rich can cure them. Conservatives publicly promote the free market so as to deny help to the poor while privately seeking privileges for themselves from the state. The Conservative attitude often is an indirect way of channeling funds to business, wealthy people, and religious-based groups in return for political support.

(12) This book walks a harder middle ground than the stereotyped Liberal or Conservative. This book accepts both that the ideal course would be to leave the economy alone but also that we have to face the problems and deal with them honestly. It suggests approaches to the problems that require the least interference.

(13) On the whole, America is doing a good job. My outlook contrasts with the pessimism both of the

strong Left and the strong Right. Americans do see some problems, such as health care, even if we have no obvious theory to tell us what to do about them. We have a strong base on which to find solutions and we are moving toward practical solutions even without a definite theory. The future will be good as long as we are not carried away by ideology or disguised selfishness.

If we are doing a good job, then why write about it? Because many of us do not know that we are doing a good job, how we are doing a good job, or why. We cannot separate real problems from contrived problems. We mistakenly feel that something is wrong with the economy when the real problem is our vulnerability to bad ideas. We need to clear our heads so we can more calmly make decisions. This book is about ideas rather than facts. This book has almost no statistics. It is clear on issues except where the issues are not clear. It sticks to basic ideas and to straightforward logic. This book does not use citations as in the typical academic book. Instead, it guides the reader to facts and to argument elsewhere, primarily through an annotated bibliography.

Clear logic is important because the need to intervene can only be understood by the same logic that tells us to leave the economy alone. The contradiction is not in the book but in the economy. Even so, the logic is not hard, and it can be fun.

This book differs from most textbooks by taking seriously socio-economic classes, class conflict, human nature, and moral judgments. This book differs from most social science by taking the same general point of view as mainstream economics and by being sympathetic to capitalism. This book takes society more seriously than does a typical economics textbook but it does not approach economy-and-society from the Left.

During the book, and especially at the end of the book, I make suggestions for dealing with problems. This book is not a way to promote my beliefs but is a presentation of ideas so readers can make up their own minds. My suggestions are not new and they are conventional. I pick from among the good suggestions that other people have already made. I never advocate a return to the failed programs of the 1960s and 1970s. Although I say nothing new, people that are not familiar with economics might not have heard the suggestions, and they likely do not know the reasons behind the suggestions. Any reader can go now to the suggestions to see what I have in mind.

If this book aligns with any point of view, it is the view once shared by moderate Democrats and moderate Republicans, augmented by my wish for as little state interference as possible, and guided by my desire to help the poor. This is a moderate book with commonsense ideas.

Personal Inspiration. This book was written by an anthropologist rather than by an economist. The book came from living in a working class family in Oregon when I was young, from living several places in the United States as an adult, and from living many years in various areas of Thailand. It came out of experiences with my own unemployment and the unemployment of my family, friends, and neighbors.

The writing came out of teaching economic anthropology. Especially now that capitalism is the dominant world economic system, anthropology students need to understand capitalism, but they would not take a regular economics course because they feared the graphs and numbers. They were not

getting a good explanation of capitalism from the post-Marxist view that dominates most social science.

They need something like this book.

Most people worry when they see numbers, charts, and diagrams. I could not talk to friends and neighbors about economic problems, even when we agreed in basic outlook, because they did not have the background. This book is for all those people too.

I learned to appreciate the people that write textbooks on economics. They do their job well. Still, there is a need for a book like this. As a non-economist, I hope that I was less prone to take sides in the typical doctrinal battles. I believe that I was able to include everything of importance to all the intended readers.

Political Inspiration. Many social science books get written as reactions against ideas that the writer thinks are wrong enough to be bad. It helps the reader to understand what worries me.

Most writers that favor minimal state interference fear collectivism: communism, socialism, mild fascism, or full-blown fascism. Communism died, so we do not have to worry about it anymore. If the United States had continued the programs of the 1960s and early 1970s, then we might have to fear socialism. The worst of those programs shriveled, and what is left does not amount to real socialism. Those kinds of programs are not likely to increase. Besides, I like some of the programs such as Social Security and Head Start, and I believe we should have modest national health insurance. So I do not fear socialism much now.

Instead, I fear mild fascism; I fear fundamentalism among Christians, Muslims, and Jews; I fear the parallel fundamentalism on the Left that is called "Political Correctness"; I fear the cult of the free market and I fear its opposite, paranoia about business; I fear Conservative and Liberal endorsement of fundamentalism, whether tacit or explicit; and I fear the political and military action that goes along with fundamentalism, whether done by individuals or states.

I see little practical difference between these fundamentalisms to any normal person who is unable to live under them. Fundamentalists do not accept the natural modern world or normal people. Fundamentalists are not stupid in how they deal with the modern world and use people. They know how to manipulate wealth and to manipulate the fears and symbols of modern life. They seek to gain power by interpreting the modern world so that susceptible people commit to them and then act foolishly. They seek to remake the modern world so that they can deal with it, and so they have the power. They will impose their solutions even on groups that are not a direct threat but that merely do not go along with their agenda. Their path leads to fascism, especially when combined with a desire to promote business, religion, family values, fairness, ethnic equity, and lifestyle recognition.

The state cannot stop fundamentalists and fascism. Only ordinary normal sane moderate people of all classes and all religions, including old-style Humanists and Liberals, can stop them. To stop them, we need clear ideas.

This book hopes to give people the ideas they need to be comfortable with a commonsense approach to the economy.

Strong fascism brings up images of military machines and death squads but I do not worry about that in the United States now. The word “fascism” comes from “a bundle of sticks”: one stick breaks easily but a bundle is much stronger than any of the particular sticks. Mild fascism means that the state coordinates business firms, consumers, workers, and state programs all together for a stronger whole. The state interferes in the economy for what it calls the public good. The state plans according to some ideology of the public good and of the role of wealth for the public good. When explained this way, fascism actually sounds seductive. But it is bad and it is wrong. Yet this is the direction of the United States recently.

One policy particularly represents mild fascism: induced economic expansion. The government declares that induced growth can solve all economic problems, can solve all social problems including poverty and welfare, and can give us the material basis to be an international power. To promote growth, we should channel wealth toward the groups that save the most and that invest the most. The rich save the most and invest the most, and business invests the most, so we should redistribute wealth away from the poor and the working class toward the rich and toward business. In a modern economy such as ours, this argument is false. Several places in the book, in different ways, I explain why it is false.

Luckily, the solid middle of economic theory, general compassion, and common sense, have not disappeared, show signs of resurgence, can serve as a basis to fight fundamentalisms, and can serve as a basis for understanding and action. I hope this book helps them prevail. I was happy to see the strong middle-of-the-road candidates in the Presidential campaign of 2008.

Case Studies and Principles. There is no magic rule for when to leave things alone or when we have to involve the state.

Without a clear rule, the best way to learn about what to do is to learn principles, study many cases, practice applying the principles, and thus get a feel for the practical modifications that we have to make to the principles. That takes a long time. I do not want to give the reader that kind of book. So I leave cases to other books. The “cases” in this book are primarily imaginary simple cases to illustrate an idea. I use real cases when I can, and I present realistic cases always.

Versions. This book comes in two versions, a long and a short, with some common material. I recommend the short version first, and that is likely what you have. Both are on the Internet. The long and short versions have in common these items:

(A) This Introduction that you are reading now.

(B) A list of Suggestions about economic issues, at the back of either book.

(C) A list of Suggested Readings at the back of either book.

(1) The “long book” came first. It was finished in 2006. It is aimed at the reader who has time enough

to go into the arguments. It has 9 parts, of about 12 chapters per part, of about 8 pages per chapter. It has a long Part 10 of about 25 chapters. Part 10 is a series of essays on specific economic topics, such as insurance and welfare, many of which topics explain the Suggestions. In addition to regular chapters, a few optional appendices go into more detail on important topics or they discuss related topics.

(2) The “short book” is parallel to the long book. Originally the short book was a re-writing of the long book for Internet self-publication in 2008. It was revised again in early 2012 to put on the Internet. It has 9 chapters of about 32 pages each plus the common material listed above. Each chapter in the short book corresponds to a part in the long book except there is no counterpart to Part 10. Please go to the free download of Part 10 on the Internet for more in-depth analysis of the Suggestions. If you want, you can still find the 2008 self-published version by searching my name or “First Book in Economics”.

A chapter from the short book can take the place of a part in the long book. By reading only a chapter in the short book, you will not learn as much as from the corresponding part in the long book, but you should pick up enough to go back to the long book. You could design your own medium length version of the book by reading some chapters from the short version of the book, combined with some parts from the long version of the book. You can use the short book as a basic text while seeking some fuller explanation from the long book.

Presentation. Economists commonly use made-up simplistic examples to make difficult ideas clearer, a convention that I follow. I also refer to well-known American popular culture, such as movies and TV.

I do not use the authorial plural “we” to refer to myself but instead use the simple pronoun “I”. I try not to refer to myself too often, but I sometimes use examples from my own life to illustrate ideas, and I make clear when I am stating a personal opinion.

“We” appears in two senses. It can mean, “people in general”. It can also mean, “the readers of the book and I, as we reason together”.

I use what editors call “stage directions”. I tell the reader what I am doing, why I am doing it, and how we are getting along. Stage directions make the average reader comfortable and allow him-her to read more quickly.

The repetition is on purpose for clarity. Repetition allows a reader to continue on right now without having to go back to look for previous explanations, prompts us to look at the same thing from several viewpoints, groups things together that were developed separately, and summarizes in transit. Repetition might annoy some readers with good memories but even they will find the reading goes faster. If the reader goes on to read other economics or to take courses, he-she needs some technical ideas explained in plain. To introduce terms from economics, I use the phrase “economists say”. I do not mean to distance myself from economists, make it seem as if I know more, or make it seem that I do not wish to explain ideas.

About half-a-dozen places in the long book, I comment directly to economists or to teachers, which

comments I enclose in square brackets: [].

[For example: This comment is for any teacher that might be considering the book. This book stresses microeconomics over macroeconomics. It does give all the basics of macroeconomics, both scattered throughout the book and in a chapter on that topic or in a part on that topic. I like the logic of microeconomics although I definitely do not neglect system.]

I make few attempts to be "Politically Correct" ("PC"). The spirit of PC is great but the execution is often so bad that the execution completely undermines the spirit. I prefer common sense and respect for human dignity.

Still, I have long seen the bad effects on women of using only male pronouns, so I use "he-she" or "him-her" instead of just "he", "him", "she", or "her". Because I am a man, the male pronoun comes first. This "dashed" form looks awful, but it was the best alternative I could think of. I try to use about equal numbers of men and women in my examples, but, because I take examples from the real life that I know, most of the examples have to do with men. Sometimes real life stories feature a man or a woman, so, in those cases, I use only the pronouns that are appropriate to the story.