

Preface

The first question facing anyone setting out to write a book like this is: Why? The field of introductory textbooks in economics is crowded. What does a newcomer have to offer that is not already available? At the risk of being long-winded, let me offer the following thoughts in the hope that this will make it clear to both prospective students and teachers, what it is that I hope to accomplish in the following pages.

A while back the University of Auckland, where I work, started its general education program with the idea of providing breadth to students. Under this program, students are required to take up to two courses in an area unrelated to their majors. Many universities around the world have similar programs to get students to expand their horizons and develop an appreciation for subjects that they would normally not study. The task of designing the economic department's offering fell to me. As an aside, in subsequent years, this course also became the entry level course for students planning to major in Economics; except, those students who had already undertaken a significant amount of economics study at the high school level (and could demonstrate a certain amount of knowledge) were allowed to skip this first course and gain direct entry into a second, more discipline-focussed course. This also made their path through the Economics major quicker.

On the face of it, this is not a particularly challenging task. Most universities around the world offer a semester long introductory economics course to students. Sometimes these are called "Principles of Economics" or at times, especially when they are taught as part of an MBA-type program, "Economics for Managers". But the intention is the same: to teach some basic economic principles to students who will go on to pursue careers in other areas. It is still the case that many universities around the world require students to undertake a two-course sequence in microeconomics and macroeconomics for a variety of degrees, particularly business-related ones such as those in economics, accounting, management, marketing, and such. But increasingly a lot of them do not and students need only take one course covering basic economics principles.

The questions I needed to answer were: What should you teach a group of students, the vast majority of whom will likely not do any further study in Economics? What are the key concepts that they should take away from this course that will hopefully help them in a wide range of non-economic careers? How do you also make this course engaging enough so that some of these people may decide to go into economics or at least undertake double majors with economics as one of those subjects?

It turned out that this was not such an easy problem to solve after all. On the one hand, there were a whole host of books out there that were highly engaging. A selective list would include

*Freakonomics*¹ by Steven Levitt and Steven Dubner, *The Undercover Economist* by Tim Harford² or *Sex, Drugs and Economics* by Diane Coyle.³ While delightful to read, these books are not comprehensive enough to serve as a one-semester text and do not cover all the topics that I felt were essential for a course like this. *Basic Economics*⁴ by Thomas Sowell is certainly comprehensive, written for a popular audience and a delight to read. But Sowell does have a pronounced free-market bias. This is not problematic since I am in favour of free markets too except, in my view, while students must appreciate the value of free markets, they must, at the same time, understand some of their limitations. We do not want students to emerge from their economics course thinking that any attempt at regulation is anti-capitalistic. Sometimes the attempt to rein in giant monopolies is well in keeping with the capitalist ethos. Sowell also does not deal with some pressing issues of the day such as inequality, distributional impacts of trade or regulation of Big Tech.

On the other hand, there are numerous standard textbooks on the topic. Most of these are split into separate micro- and macroeconomics sections but publishers will readily customize these books to suit the tastes of individual instructors. But most of these standard textbooks were not suitable for my needs. First, most of these books are written with the expectation that the students reading them will go on to study economics. There is not enough recognition that the vast majority will not. This often makes such books less engaging than they should be. Consequently, these books often do not manage to excite readers or convince them to undertake further study in economics. But, more importantly, they also fail to leave much of an imprint on the minds of people who will go on to become doctors, lawyers, engineers, politicians, journalists, and opinion-makers. While it may be argued that doctors, engineers, and lawyers could potentially prosper without knowing economics, the same is certainly not true of journalists or politicians. In fact, lack of knowledge of basic economics for this group can be seriously detrimental. Economics impinges on our lives and livelihoods in a multitude of ways big and small and knowledge of basic economics is also essential to be informed voters and citizens.

Largely owing to social media, students these days are well-versed in contemporary policy debates. Yet, it is fair to say that the teaching of economics has changed little in the last three to four decades. Most books do not expose students to contemporary policy debates and thereby, in my opinion, leave them ill prepared to tackle these questions. While an in-depth analysis of many such issues has to be left to more advanced courses, even with the rudimentary tools developed in

¹ Levitt, S., and Dubner S. (2009). *Freakonomics: A Rogue Economist Explores the Hidden Side of Everything*. William Morrow.

² Harford, T. (2007). *The Undercover Economist*. Random House.

³ Coyle, D. (2002). *Sex, Drugs and Economics*. Texere.

⁴ Sowell, T. (2007). *Basic Economics*. Basic Books.

an introductory course, there is a lot we can tell students about contemporary issues and contentious policy debates around inequality, climate change, fast fashion, outsourcing of jobs, the winners of losers of globalization, regulation of Big Tech, artificial intelligence and automation, Covid-19 and pandemic induced recessions, cryptocurrencies, and Central Bank digital currencies. It seems a shame not to expose them to these questions especially if they never take another course in Economics in their lives.

Economics, after all, deals with the science of human decision-making and an understanding of how some of this works is fundamental to figuring out the secrets of human success and prosperity. In fact, in a recent paper, my colleagues and I argue that economics provides a key underpinning of human political ideology.⁵ When people talk about politics, they often talk about liberals and conservatives along a unidimensional spectrum without recognizing that there are economic liberals and economic conservatives just as there are social liberals and social conservatives. These attitudes developed as part of our evolutionary heritage as we grappled with fundamental challenges of human group living. So economic questions about who gets what, when, why or how are as old as humanity and there are evolutionary reasons behind the views we hold on economic issues like taxation, welfare, free public education, and redistribution of wealth.

The next drawback to many of the existing textbooks is that a lot of economic theories are presented as *fait accompli*; questions that have been answered and things that have been settled. But if that were the case then what do we researchers spend all our time doing? There is little attempt to expose students to exciting new ideas or avenues for future research. We leave the exciting stuff for more advanced courses ostensibly under the belief that the first-year students are not ready to partake of these riches. This is particularly true when it comes to the revolution in behavioural economics that has swept through the discipline in recent years. Starting with Vernon Smith and Daniel Kahneman in 2002, most Nobel Prize recipients in recent years work in behavioural economics. This includes Robert Aumann and Thomas Schelling in 2005, Elinor Ostrom in 2009, Alvin Roth and Lloyd Shapley in 2012, Richard Thaler in 2017 and Abhijit Banerjee, Esther Duflo and Michael Kremer in 2019. Governments around the world have established behavioural insights teams to advice policy makers. Yet, it is still unusual for introductory texts to cover much or any of this.

Finally, just as there is no politics without economics, it is also the case that it is not easy to divorce economics from politics. Politics and political ideology guide the views we hold, the policies we prefer, the candidates we vote for. With that in mind, I should make it clear that I am

⁵ Claessens, S., Fischer, K., Chaudhuri, A., Sibley, C. and Atkinson, Q. (2020). Dual Evolutionary Foundations of Political Ideology. *Nature Human Behavior*, 4, 336–345 (2020). <https://doi.org/10.1038/s41562-020-0850-9>.

a firm believer in free markets with the caveat that markets do not always get things right. This is particularly true in the presence of externalities and monopolies. This calls for government regulation. Such regulation is perfectly fine and completely in keeping with the capitalist spirit. In fact, the proper functioning of the capitalist system requires such regulation to make sure that the playing field is level. One can certainly argue about the extent and exact mechanism of that regulation. I am neither in favour of a complete lack of business oversight just as I am not in favour of planned economies and excessive interference by governments into the functioning of markets.

This, then, is my goal, nay, manifesto. To impress upon the reader that economics is a science which overlaps with many of its social science sisters; a way of looking at the world with a different viewpoint and a wider perspective, which can lead to a totally different way of understanding, interpreting, and predicting the world around us. This is an idiosyncratic book, which encapsulates my vision of what should be taught and how it should be taught. As the noted economist and Nobel laureate Paul Samuelson once commented: “I don’t care who writes the nation’s laws as long as I write the nation’s textbooks.” In putting into practice their political preferences politicians are routinely influenced by what they learned in our schools and universities. Your vision may or may not coincide with mine and if not, then this book may not work for you. But if it does then you might find this a new and refreshing way to reach students and talk economics to them.

I have put in more material than one needs. This is partly because courses vary in length. Some teach 10-week trimesters. Even for those who teach semesters, the length may vary from 12 weeks to 16 weeks. I have provided material that can be used by those teaching longer courses. But, at the same time, I want to caution prospective instructors not to pack in too much stuff. We often end up trying to do too much and teaching too many things. This is not always a good idea. It is a better idea to teach fewer concepts but to take one’s time to let the concepts simmer and sink in. I think in most places around the world instructors teach around 150 to 180 minutes per week. Increasingly these days, I try and keep my lecturing time to around 100 to 120 minutes. But then at the end of each topic, I give students a quiz and allow them to work in groups. I then leave them alone and wander around the room while the students brainstorm their way through the questions. This allows the students to engage in some mutual teaching and learning and provides them with an opportunity to make some non-Facebook friends whom they can rely on when they miss lectures or get stuck while studying for tests/exams.

For those teaching a one-semester course in principles, I suggest using Chapters 1, 2, 4, 9, 10, 11, 12, 13, 14 and 15. One could potentially use the book to teach principles of microeconomics

separately. For those who wish to teach microeconomics only, one could use Chapters 1, 2, 3, 4, 5, 6, 7, 8 and 9 (and possibly Chapter 12 on trade). For those wishing to focus on macroeconomics, I recommend using Chapters 1, 2, 4, 10, 11, 12, 13, 14 and 15. One could optionally add Chapter 9 on tackling climate change here as well. Chapter 15 is a long chapter, and instructors may well wish to spend a bit more time on the sections on monetary and fiscal policy.

I have provided a set of lecture recordings along with the book. So, one could easily consider using a flipped classroom approach where students watch the recordings prior to coming to class. Class time can be devoted to more interactive activities. From experience not all students will watch the videos. As a result, when I use this approach, I usually start with a brief recap of the basic issues. Then (whenever practicable) I divide students into groups and ask them take part in a quiz for 20 minutes or so. Then I start going over the answers to the quiz. This is when I do the bulk of the “teaching” as I explain the answers to the questions. I have used both the “sage on stage” approach as well as the “flipped classroom” approach. They both work and my teaching evaluations were excellent in either case. Of course, for the latter the classroom set-up is more important and at Auckland we often teach these classes in team-based learning rooms where students are clustered around circular tables throughout the room, which makes it easier to form “teams” for the quiz. But this is not essential, and one could adopt other approaches. I have done so in large lectures by asking questions of individual students, where the student has the option of phoning a friend or asking the audience etc.

I still think that there is nothing wrong per se with the “sage on stage” approach and sitting still for an hour and absorbing complex material is a valuable skill that students need to learn. However, I also know that students now seek information from a variety of sources such as Google and YouTube and so experimenting with different modes of delivery is a good idea. At the end of the day, it is my experience that students have a good sense of whether the instructor is truly invested in their learning or not, whether the instructor cares enough or not. My view is that if one pays attention to student learning and well-being, as long as one shows that one is happy and eager to be in the classroom, the delivery mode is less important, and students will respond to the material being taught. The ability to break down complex arguments into simple ideas is a valuable skill. Over the years I have found that this has also helped me understand many of these concepts better and has also enabled me to write material for a non-technical audience with greater ease, which have shown up as columns for media outlets. Many of these were derived from case studies discussed in class.