

BOOK REVIEW

FREE LUNCH

EASILY DIGESTIBLE ECONOMICS

BY DAVID SMITH

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"It is no crime to be ignorant of economics, which is, after all, a specialized discipline and one that most people consider to be a 'dismal science.' But it is totally irresponsible to have a loud and vociferous opinion on economic subjects while remaining in this state of ignorance." Murray Rothbard Making Economic Sense (1995)

Interest rates are going up and they say that it's not good for bulls in stock market. They also tell you that more money in circulation in economy is invitation to higher inflation or the prices would go up. And then they throw some mystical diagrams and dreading equation at you to prove their point. After hours of unsuccessful attempts to comprehend these economic phenomena given in economic text book, you call it quits and decide to live with the half baked rusty knowledge of the subject. Few More such attempts and you will join the population who believes that *an economist is a man who states the obvious in terms of the incomprehensible.*

Wait! Learning economics deserve one more chance, and I am sure that you'll be lured to give it a try, when I will tell you that in his latest book "**Free Lunch: Easily digestible economics**" David smith an ace economist teaches you the basics of economics on a stimulating and easily digestible free lunch in five courses. With guest speakers like Adam Smith, Karl Marx, John Maynard Keynes, Milton Friedman (Big wigs in the world of economics) who make appearance to enliven the meal and entertain and inform you. It is this clever format of the book written in the form of five course meal that makes economics comfortable and easily digestible for the non-economist.

Like a good meal, free lunch also starts with an **Appetizer** where David talks about the importance of economics to you, me and almost everybody.

About The Author

David Smith is the economics editor of The Sunday Times, and he broadcasts regularly on radio and television commenting on economics. He has number of other successful books under his belt including: The rise and fall of monetarism, From Boom to Bust, UK current economic policy and most recently this book, **Free Lunch: Easily digestible economics** He also writes the UK's leading economics blog: <http://www.economicsuk.com>.

He also stresses on the fact that study of economics will help you analyze problems in other fields logically, because thinking like an economist means approaching problems in a logical manner, replacing assertion with analysis. Appetizers are meant to increase your appetite, so is this section, where Smith increases your hunger to learn economics by stating that:

"This is also a book about economics quiet unlike any other. There are no tricky diagrams of the kind that leaves you wondering whether the page has been printed the right way up. There are no complicated mathematical equations. Unless something can be easily explained, it has no place here."

At the same time he makes it very clear that:

"This book will not turn you into a professional economist overnight but it will encourage you to think differently about things"

From appetizers we move on to the **Starters** where Smith discusses two widely used definitions of economics. With simple analogies of Houses and potatoes he teaches you about the market economics, rules of demand and supply and how prices are determined. Time value of money can be as simple as the old proverb: ***"a bird in hand is worth two in the bush"***. Finally differentiating between micro and macro economics and with a sip of wine you move on to the main course of your meal.

In **Main course** Smith builds on the concept that how human nature is predictable and plays pivotal role in understanding the working of economy. You will also come to know that why Mr. and Mrs. Rational – economic man and woman are similar to the colony of ants. Economy is very similar to football game; Smith has brilliantly explained this analogy between the two. Main course is the longest part of any meal, so is this main course; Between two courses is our first guest, Adam Smith who do the talking about his theories and his famous book ***"The Wealth of nations."*** Main course is where Smith teaches you about GDP. After his description of GDP, you will realize that GDP is nothing more than a simple linear equation.

Main course is followed by some more classical guest speakers like Robert Mathus, David Ricardo and John Stuart Mill. You know about their history and their valuable contribution to economics.

After their speeches Smith takes on for the **cordons bleu** and covers the concepts of firms, businesses, monopoly, costs, profits, competition, privatization etc. he also answers questions like: " Is the internet perfect competition and should firms have a conscience? These capitalist and business views are followed by the address by another influential but with different perspective on the role of business: Karl Marx. As soon as he leaves its time to pay the bill, in which Smith discusses about taxation, fiscal rules, crowding out, multiplier effect, stealth tax and hypothecated tax. Thereafter, **Keynes gets cooking** talks about greatest modern British economist and his contributions to modern economics as in his "General theory of employment, interest and money". After Keynes leaves the table, Smith does the talking about **Bread and money**. He discusses in detail about money, monetary policy, inflation, growth, output gap. Relationship between Money and inflation gets as simple as the petrol and your car. As you can't drive car without petrol, you cannot have inflation without money. The faster money is printed, the higher will be inflation.

Desserts in free lunch are **the Americans**. Various famous American economists are invited for Desserts. They do the talking about how US economists rule the roost in modern day economy, and their valuable contribution in terms of developing mathematical approach to economy. Guests includes Irving Fisher (who became a millionaire not through economics but through his index card system now called Rolodex), Paul Samuelson (Who wrote Economics when he was thirty three- a book that has since sold in millions and has been translated into over forty languages), Arthur Laffer (who drew the 'Laffer Curve' on a restaurant napkin to show how revenue would fall when tax rates rose beyond a point, so cutting tax rates may actually bring in extra revenue).

Meal is incomplete without little discussion over a cup of coffee. So is this meal's last course: **Arguing over coffee**. Which discusses: why some countries are richer than others? ***"The richest fifth of the world's population receives 86 percent of global income and 1.2 billion people, 20 percent of world's population, exist on less than a dollar a day"***. Is Globalization a bad thing? ***"For every \$100 generated by world an export, only \$3 goes to poor countries; and for every dollar given to developing countries in aid, \$2 is lost because of unfair trade rules which are costing them \$100 billion a year"*** And many more such economic questions along with philosophical questions like: Does economics make you happy? Are we getting better off?

Once you are through with your lunch you can move on to the **Bit – size glossary** with general definitions of terms covered in the book. Finally if you are still famished and wish to eat more of economics then there is **post - prandial reading** in which author points you to countless web addresses to click and wealth of books to browse.

After reading free lunch you will realize that Smith was not wrong, when during eating appetizers he said ***"By the time you have read it, you will know as much economics as you will probably ever need and more than the vast majority of the population."*** Go ahead and read the financial pages of your newspaper, they will no longer be incomprehensible to you. Also, during breakfast table discussions you will speak on economic topics with your new found confidence.