Review by George W. Evans of "Commercial Society"
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I have been asked to provide a review of the above book, which I understand is being considered for possible use in a general education course at the University of Arizona. The version I have available indicates it is being published by Rowman & Littlefield this year. This is essentially a revised version of "Ethics, Economy & Entrepreneurship," published in 2016 by a company called Sagent Labs. While the textbook aims to be wide-ranging in the sense that it also covers ethics, accounting and entrepreneurship, its central focus, as is evident from the topics covered in Parts I through V and VII, is economics. Since I am a professor of economics, that will also be my focus. My main areas of research and teaching are in macroeconomics and econometrics, and I have a great deal of teaching experience in several universities at a wide range of levels.

Let me state up front my overall assessment, which is negative. The book contains numerous deficiencies that concern me as an economist and which, in my view, render it unacceptable as a textbook. This was my assessment of the earlier book, and there has not been significant improvement in current version.

My first major concern is the book's thoroughly inadequate treatment of macroeconomics. I will begin there before turning to other topics covered in the book. Macroeconomics studies the performance of the national economy as a whole, focusing on the level and rate of growth of the aggregate production of goods, the level of unemployment, the rate of inflation, the role of financial institutions, the determinants of interest rates, government deficits and debt, and related "open economy" topics including foreign exchange rates and the balance of trade. Microeconomics focuses on a range of topics including household and firm decision-making, the determinants of prices and quantities in individual markets, market structure, imperfect competition, labor markets, and market failures. Most introductory textbooks give equal space to macroeconomics and microeconomics, but this textbook is woefully inadequate in the attention given to macroeconomics. As a macroeconomist I am appalled by the very brief and poorly developed sections on macroeconomics.

Discussion of the central issues of macroeconomics has essentially been reduced to 8 short chapters (42-49) in Part V, a total of only 24 pages in a 332

page textbook. Of these 24 pages, thirteen (ch. 44-47) are taken up by measurement, certainly a worthwhile topic, but not meriting this amount of space given the shortness of Part V. And the descriptions given are sometimes confusing or inaccurate. For example, in the GDP section, the paragraph on pp. 227-8 jumbles together the production, expenditure and income approaches in a way students will find confusing. This is then followed by the breakdown of GDP into categories, which is based on the expenditure approach, not, as stated, the production approach. Students will also wonder how "net exports" can be a category – in my experience students invariably find this confusing unless it is explained carefully. The paragraphs p. 229 correctly note important limitations of GDP measures, but some deserve further discussion and the list is incomplete (e.g. inequality is not reflected). There is also the odd statement that "Transfer payments made by the government are also not reported." These data are appropriately reported by the Bureau of Economic Analysis as part of "Disposable Personal Income" because transfers are conceptually distinct from production.

The textbook's discussion of the unemployment rate also has problems. On p. 230 it is defined (correctly) as the percentage of the labor force who are unemployed, but the labor force is defined as the "number of people eligible for work." However no definition is given of the category "eligible for work." This phrase is not used in the official Bureau of Labor Statistics definitions of the unemployment rate or the labor force, and introducing it in the textbook muddles the discussion on p. 231. The p. 231 critique of the unemployment rate is also overstated when it concludes that "a little investigation" reveals "how easily" the unemployment rate "can be misinterpreted and therefore potentially misused." One might think from the discussion of the discouraged-worker effect that the BLS ignores this point. However the BLS measures this effect in their survey questions and also asks whether employed workers working part-time would prefer more hours or full-time work. Their higher U6 measure takes into account both of these effects. If one plots together time series of the broader U6 measure and the benchmark ("headline") U3 measure, one sees that these two measures largely move in parallel. Thus, the relevant information is publicly available and, importantly, both U3 and U6 provide consistent information about the underutilization of labor in recessions.

But the big problem with Part V is what is not discussed. A major part of macroeconomics is providing an explanation of the business cycle, which consists of periodic but irregular stretches of economic expansion punctuated

by recessions. Why do recessions occur? Why are they sometimes deep and sometimes mild? What can economic policy do to avoid or moderate recessions? These issues are usually viewed as the central "short-run" economic questions in macroeconomics and should receive a prominent place in any textbook. The inadequacy of the book under review can be seen quickly by noting that the word "recession" appears on only two pages of the entire manuscript: p. 228, in a footnote, and p. 240.

Adequately discussing business-cycle fluctuations requires a model of goods market and financial markets equilibrium. The standard treatment is the IS-LM model (which incorporates the "Keynesian" income-expenditure model) or its extension, the AD-AS (aggregate demand - aggregate supply) model. These models play a central role in macroeconomics, comparable to supply and demand in microeconomics. While the book under review has many diagrammatic figures for understanding basic microeconomic theory, there are none for the discussion of macroeconomics, even though they are equally essential pedagogically. As with supply and demand in microeconomics, elementary versions of the standard macro model can be presented in introductory courses, and the model can then be used to discuss causes of different recessions. For example, in the "tech bust" recession of 2001 a major role was played by reduced business investment, particularly in telecommunications and the tech sector, whereas the Great Recession starting in December 2007 was initiated by falling house prices and a financial crisis. Besides understanding how recessions are precipitated and propagated, the model can be used to discuss how monetary and fiscal policy have played a role in moderating recessions and to facilitate expansions. Both fiscal and monetary policy have been used in the ongoing pandemic-induced recession to cushion its effects and (hopefully) to avoid a full-blown depression.

The treatment of macroeconomic policy in the book is much too brief and is poorly written. Fiscal policy is reduced to three pages and monetary policy is reduced to two pages. The discussion of fiscal policy is hindered by its too brief description of the aggregate demand curve on p. 239; this relationship has an explanation quite different from the demand curve in a single market, and requires a more explicit macro model like IS-LM to understand the mechanism. The discussion in the paragraph on pp. 239-240, concerning increases in government spending financed by tax increases, appears misleading and likely to lead to confusion. In particular, the last sentence of the paragraph (top of p, 240) states that if the increase of "$1 in government spending increases aggregate demand by less than $1, the

result would be the opposite of a net stimulus." On the contrary, an increase aggregate demand that is positive is still a net stimulus. Theory and empirical estimates agree that, ceteris paribus, an increase in government purchases of goods and services financed by tax increases is indeed net expansionary, though not as expansionary as increases in government purchases financed by deficit spending.

The first full paragraph on p. 240, which continues the discussion of expansionary fiscal policy, is also misleading. Consider an increase in government spending financed by bond issue (deficit spending) The impact cannot be coherently discussed without considering both the state of the economy and the way monetary policy is set. However, in almost all contexts, the increase in government spending will be net expansionary in the short run (over several years). Furthermore, if the economy is below capacity, e.g. in a recession, and if monetary policy keeps its policy interest rate unchanged, then increases in government spending will be particularly effective, increasing GDP by substantially more than the increase in government spending (the multiplier effect, due to increases in consumption). In this case the increase in output is *also* likely to be accompanied by an *increase* in investment due to the accelerator effect. The discussion in the last two paragraphs on p. 240 is better, though it suffers from a disconnect with the misleading and poorly presented material earlier.

I should also mention that the discussion on p. 240, concerning the exchange rate effects of fiscal policy in an open economy, depends critically on the stance of monetary policy. This also appears to be the only reference in the book to foreign exchange rates, so, in addition to being incomplete, this brief digression will be difficult for students to digest.

Finally, there is no discussion in this chapter of automatic stabilizers vs. discretionary fiscal policy. In recessions US government deficits rise as tax receipts go down and unemployment benefits increase. This "automatically" acts as expansionary fiscal policy, in contrast to discretionary fiscal policy changes that, in the US, require Congressional action. Economic expansions similarly reduce deficits through increases in taxes and reduced unemployment benefits (and some other government transfers). Increased deficits in recessions and decreased deficits in expansions are called automatic stabilizers because they act to stabilize GDP without explicit government intervention. The distinction between automatic stabilizers and discretionary fiscal policy is essential for understanding the behavior of deficits and for interpreting Figure 48.1, presented on p. 239 near the beginning of this chapter. With-

out the distinction, students will be unable, for example, to understand the behavior of the budget during and following the Great Recession. The large deficits in 2009 - 2011 were a combination of the "automatic" reductions in taxes and increases in unemployment benefits, associated with the reduced levels of GDP, and the large three-year discretionary fiscal stimulus enacted at the start of 2009. The big reductions of the deficit over the subsequent years 2012 - 2016 were partly the result of the expiration of the fiscal stimulus, but mostly due to the steady post-recession growth of GDP increasing tax revenue and reducing benefit payments.[1]

The discussion of monetary policy on pp. 242-3 is similarly abbreviated and poorly presented. Prior to this, pp. 221-4 is a description of financial institutions and fractional reserve banking. In discussing the creation of the Fed (Federal Reserve System) in 1913, I really think it should have been said that the reason the Fed was set up was because of the recurrent banking panics in the 19th century that frequently roiled the economy: the Fed's remit was to stabilize the banking system and the economy as a whole. In this passage I was surprised to find no mention of the Federal Deposit Insurance Corporation (FDIC). Fractional reserve banking is inherently susceptible to bank runs. This became a major problem in the Great Depression, which led to Congress establishing the FDIC in 1933. This automatically covers bank accounts up to a limit, which is currently $250,000 per person per bank. Since the establishment of FDIC no one has lost money on an insured account and bank runs have essentially ended.[2] The discussion of fractional reserve banking on pp. 223-4, while compact, will likely raise many questions with students that are not answered. A phenomenon associated with fractional reserve banking, which should have been mentioned, is the very high leverage ratios of banks, which leave them vulnerable to liquidity problems and the risk of insolvency during financial crises.

I turn now to the two-page chapter specifically on monetary policy, pp. 242-243. The discussion of the key issues is ridiculously brief, and the chapter is longer on institutional details than on the central mechanisms. Two key points that should be made are, first, for over 30 years monetary policy in

[1] More recently, increased defcits beginning in 2018-19 arose from discretionary policy (essentially permanent tax cuts), while the very high deficits in 2020, associated with the pandemic-driven recession, are a consequence of automatic stabilizers combined with discretionary expansionary fiscal policy.

[2] Nonbank institutions did suffer the equivalent of bank runs in the financial crisis of 2007-9 and this contributed to the crisis.

the US has targeted a key short-term policy interest rate, the federal funds rate, which moves closely in line with the 3-month Treasury Bill rate and affects the level of interest rates more generally. Secondly, monetary policy primarily affects the broader economy via the impact of these changes in interest rates on aggregate demand and GDP.

Up to 2008, when the federal funds rate was reduced to near zero for seven years, changes in the announced federal funds rate were achieved via open market operations, i.e. buying or selling T-bills. Since 2015, the announcement of a federal funds rate target band has continued to be central, but the Fed has also started to pay interest on bank reserves and to set that rate to be consistent with its federal funds rate target. The relevant discussion of these points on pp. 242-3 could be much clearer and loses focus – e.g. several sentences on p. 242 suggest that the Fed targets ("wants to increase" or "wants to reduce") reserves, whereas open-market operations are better viewed as aiming to change interest rates, with changes in reserves part of the mechanism by which this is achieved. Then on p. 243 the discussion shifts to a focus on the total supply of money, e.g. viewing expansionary or contractionary monetary policy as an increase or decrease in the money supply. Again, an expansion in the money supply is better viewed, at least in normal times, as the *result* of a policy to reduce interest rates, effected using open-market operations (and, if needed, changes in the interest rate paid on reserves).[3]

Returning to my second key point above concerning monetary policy, more should be said concerning the channels through which interest rates affect aggregate demand and GDP. Lower interest rates reduce the cost of borrowing (or the opportunity cost of retained earnings), incentivizing higher levels of investment by firms, in new plants and equipment, and purchases of consumer durables by households. This effect is most pronounced for new residential construction. There is also a positive effect via the exchange rate on net exports. The expansion of aggregate demand from higher spending leads directly to higher GDP and indirectly to further increases in GDP due to higher consumption expenditure resulting from the higher incomes.

As with fiscal policy, the impact of monetary policy cannot be sensibly discussed without considering both the state of the economy and the broader

[3]Similarly the Quanitative Easing programs that the Fed conducted beginning in Nov. 2008 are best thought of as the use of open-market operations, once T-bill and other short-term interest rates were near zero, to reduce interest rates on a broader range of assets.

policy context. The absence of a presentation of standard macro models impedes this discussion; consequently the presentation in the last four paragraphs of p. 243 is vague and will likely be confusing to students. The one sentence paragraph, middle of p. 243, states: "If the supply of money and credit increases too rapidly over time, the result could be inflation, ..." Enquiring minds would want to know when this would happen and when it would not. Instead we move on to the next paragraph, which states that "slowing the growth of the money supply can temporarily slow economic growth, increase unemployment, and depress borrowing and spending...." With that possibility noted, and students now wondering whether the key danger may instead be money growth that is too slow, we return in the next sentence to: "expanding the money supply too rapidly runs the risk of creating an unsustainable bulge or bubble in growth together with unwanted inflation." This discussion of monetary policy creates intellectual whiplash. What is needed is to combine the standard short-run macro model with the Phillips curve relating changes in inflation to aggregate output and the unemployment rate. These relationships can be used to discuss the appropriate combination of monetary and fiscal policy, given the state of the economy and taking into account the trade-offs between objectives.

The last paragraph of the monetary policy chapter can only be understood using a longer-run model that takes into account the full adjustment over time of prices, inflation and inflation expectations. Since this too is not presented, students must make do with the concluding sentence: "Expansionary monetary policy may temporarily lower real interest rates, and thus may seem attractive to policy-makers, but it cannot keep them permanently low." This is an unfortunate way to end the short discussion of monetary policy, and the total of four pages devoted to fiscal and monetary policy. The FOMC and the economists at the Fed are well aware of the key long-run and short-run macroeconomic trade-offs involved in setting policy. Appropriate monetary (and fiscal) policy depends on the current and anticipated future state of the economy. Policymaking is certainly difficult due to uncertainty about sizes of effects and the length of lagged responses, as well as the impacts of random shocks that will hit the economy in the near future. However, our standard macro models, which are not given in this book but are presented in most economics principles textbooks, and which also are the basis for the serious quantitative models used for policymaking by major central banks, provide much more clarity than can be found in these two chapters.

The other astounding omission in the book, particularly from the viewpoint of a macroeconomist, is the complete lack of any discussion whatsoever of the financial crisis of 2007-8 and the resulting Great Recession. This omission is really quite incredible. The Great Recession of Dec. 2007 - June 2009 included a failure of major banks and required a vast infusion of funds from the Treasury and the Fed to keep the financial system from imploding. Many households lost their house or found it valued less than their mortgage. From October 2007 to March 2009 the Standard & Poors stock market index fell over 50%. The headline U3 unemployment rate rose to 10% during 2009. The Great Recession was followed by a long slump in GDP per capita, which did not recover its previous October 2007 peak until over $6\frac{1}{2}$ years later. The Fed, mindful to avoid another Great Depression, reduced the policy rate to near zero by late 2008, and then embarked on a series of unconventional expansionary monetary policies, given the zero-lower bound to interest rates and the risk of deflation.

How can it be that there is no discussion in this book of what may be, depending on the eventual outcome of the current pandemic driven recession, the worst US and global economic crisis of the last 75 years? Indeed, there is an equally stunning lack of discussion by the authors of the Great Depression of the 1930s, in which the US unemployment rate rose to 25%. The book has no discussion or even reference to either the Great Depression or the Great Recession. Not a word. Nothing at all.

I have focussed my discussion on macroeconomics, because that is my field of study, but there are other aspects of the textbook that I also find troubling as an economist. In the introductory section on p. 5 we are asked: "What is the Economic Question?" We are told that the question is: "Why is there such a thing as material progress in the first place? ... What explains the explosion of wealth since Adam Smith's time?" These, of course, are important economic questions, but there are other key economic questions as well, which I discuss below. "The main answer" we are told, "is that there has been an explosion of trade. Trade is positive-sum. Everyone can win, and in some places, everyone does win." It is acknowledged that while there are gains from trade, "there is no guarantee that every member of society will be involved in mutually beneficial trade." However, the tone of the book does little to dispel the p. 3 statement that "Market society is sometimes described as a tide that lifts all boats." In fact the phrase is repeated on p. 199: "Market society is sometimes described as a tide that lifts all boats. In many ways, the metaphor is apt."

As an economist I am hard-wired to appreciate the benefits of trade, and in a market economy in which people are free to choose whether or not to make specific trades, then both parties will benefit from a trade that is made (or, at least, neither party is made worse off, assuming they understand the consequences of the trade). And indeed the benefits of specialization (or "division of labor") are central to economics. But it is a fallacy of composition to think this implies that an expansion of trade cannot create economic losses for some segments of society. The source of the fallacy is a neglect of general equilibrium effects. For example, does reducing barriers to international free trade benefit everyone? In principle it may or it may not. Opening markets will change wage levels, and in particular sectors wages may fall as a result, making workers in those sectors worse off. And the empirical evidence for this effect is now clear. While there are many gainers there can also be losers, and there is strong empirical evidence, for example, that manufacturing workers in much of the US suffered significantly in the 2000-7 period due to import competition.

In connection with the main economic question posed and the central reasons for material progress, I should point out that most economists would cite a greater role to technological progress within a market economy than to expansion of trade arising from such factors as freer international trade, deregulation, or privatization of public services.[4] Technological progress in market economies brings up some of the same issues as does freer international trade. The introduction of better products or more efficient methods of production could, in principle benefit everyone, but that does not imply that in fact there are no economic losers. These issues arise in Ch. 64, "Creative Destruction" (pp. 311-313). This chapter correctly points out that major innovations, which eliminate jobs, typically create as many jobs as are lost. We are told, concerning the mechanization of farming, that "Particular jobs in farming were undoubtedly lost, but other jobs were created. Journalists and social commentators rarely talk about those jobs." I think this process is pretty well understood by most people. What surprises me about this passage is that it glosses over the adverse effects at the individual level. The tone is that since in aggregate there is usually net job creation, then there is no need for concern. This neglects the fact that, because those who lose their jobs may well have skills that have become obsolete, for those individuals this

[4] Of course, the textbook does also recognize the importance of technological progress, e.g. see the wide-ranging chapter 12 on "Commerce and Progress."

can be a life-changing experience for the worse. Surely this merits comment, and indeed it merits serious analysis: what social policies should be in place to assist those who suffer economic dislocation arising from expanded international trade or creative destruction? Again, we have empirical evidence that some specific groups in the US have suffered from the combination of technological change and globalization. For example, for white men without a college education, median wages have declined since 1979.

Here are two other major Economic Questions that would be appropriate for the Introduction to have emphasized:

1. Why, in a market economy, do markets usually work well but sometimes work poorly?

2. In a capitalist market economy, what determines the distributions of income and wealth? Is the degree of inequality appropriate? If not, what measures should be taken to reduce inequality?

Concerning my first additional major Economic Question, Part IV does contain some useful material on when markets can fail or work poorly. There is discussion there of how this might be corrected in the case of negative and positive externalities, though the textbook insists on emphasizing concerns about the practical difficulties of implementing what are usually called "Pigovian" taxes or subsidies. However, from the point of view of an introductory textbook, there are some huge missed opportunities here. Arguably, the biggest environmental issue of our time is global warming and climate change. If the now almost overwhelming scientific evidence on this is correct, then we should urgently be considering aggressive policies to reduce the negative externalities due to carbon and methane emission, using Pigovian taxes and other public policies to foster renewable and green energy. What could be a better topic for an introductory general education level textbook than a treatment of the economics of climate change? Yet, bizarrely, the phrases "climate change" and "global warming" are nowhere to be found in the book. It is worth noting that one of the recipients of the 2018 Nobel Prize in Economics, William Nordhaus, received the award for his pioneering work in this area.

For an example of a positive externality, return to the issue of the reasons for material progress. As I mentioned above, expansion of trade is only part of the story. The question of why in capitalist market economies there have been vast increases in the standard of living over the last several centuries is the focus of "growth theory," a branch of economics centering on the long-run questions connected with growth and development. The consensus

view is that the rising average standard of living is not just due to division of labor and trade, or greater exploitation of natural resources, or the increasing capital stock due to saving and investment. While these are important, the central factor is technological progress: the development of new products and new methods of production that yield more output without using new inputs. Technological progress can take the form of major innovations or be the result of numerous incremental improvements. The advance of scientific knowledge obviously has frequently played an important role in numerous major innovations. The accumulation of human capital – education – also plays a key role as this is often necessary for exploiting technological progress.

Surprisingly, despite the book's emphasis on entrepreneurship, there does not seem to be discussion of the fact that the development of scientific and engineering knowledge, and knowledge more generally, is an example of a positive externality that clearly justifies the government subsidizing research. It is worth noting that the other recipient of the Nobel Prize in Economics in 2018, Paul Romer, developed growth theories that focused on the economic mechanisms that determine technological progress, and that he emphasized the ways in which governments should promote technological innovation. In the United States the federal government in fact played a major role in funding fundamental research and providing initial high-risk financing for projects that were crucial for developing and shaping the technology, innovation and markets underlying the tech sector growth over the last four decades.

A similarly compelling argument applies to government financial support for public health. The economics of public health in general, and epidemics in particular, requires the concept of "public goods." These are goods that are non-rival (my consumption of the good does not reduce your ability to consume the good) and non-excludable (it is difficult to prevent people from consuming the good while not paying for it – free riders). Non-excludability implies that private markets are ill-suited for the provision of public goods. Two classic examples of public goods are national defense and public health. Advances in public health over the last 200 years include sanitation (sewage management and public water treatment), garbage collection, food inspection, dissemination of information about adequate nutrition, and control of infectious diseases, including providing and supporting vaccines against communicable diseases. Indeed, public health was arguably the largest factor responsible for the increase in life expectancy emphasized in Chapter 1 of this book. The current pandemic provides an archetypal example of the importance of public goods in general and public health in particular. The spread

of the novel coronavirus has meant that the health of the nation, and the health of the economy, depend on exploiting the positive externalities arising from testing, contact tracing, quarantines, masks, and social distancing, and from the development and provision of a new vaccine.

The second additional major Economic Question that I raised above concerns income and wealth inequality. A central feature of general equilibrium theory in economics is that the society's distribution of wealth and income is logically separate from achieving an efficient economy. Some high-income market economies have relatively equal distributions of income and wealth, while others are much more unequal. Inequality within many high-income countries is growing, and the evidence is now clear that in the US the distribution of income and the distribution of wealth have become substantially more unequal since 1980. This is true of wage income inequality, but becomes particularly acute when capital income is included. The income share of the top 1% has increased from about 9% in the late 1970s to about 22% today (close to its previous peak at the end of the 1920s). The income share of the bottom 50% has been falling since 1970 and is now about 13%.

The degree of wealth inequality is even greater. The top one tenth of one percent hold about 17% of total wealth. There is also a striking racial dimension to inequality in the US. According to the Institute for Policy Studies, in 2014 median family wealth (excluding cars and durable goods) was about $147,000 for white families, about $6600 for Latino families and about $3600 for black families. Wealth inequality across families is a significant factor in the transmission of economic inequality to the next generation.

Over the last ten years increased inequality has become an issue of widespread popular and academic discussion, so it is strange to see that there is no explicit discussion of this trend in the textbook. The structure of the tax system is a major tool that can be used to reduce inequality. Economists in public economics, building on the theory of welfare economics and social welfare functions, have long studied this topic and the extent to which there is a significant trade-off between reducing inequality and economic efficiency. I was not able to locate a discussion of these issues anywhere in this book. Countries vary considerably in both the degree of income inequality and the extent to which it is reduced using redistributive taxes and transfers. Compared to other OECD countries, and using the Gini coefficient as a measure of inequality, the US has one of the highest levels of inequality of (before tax) market income, and is also relatively low in the extent of redistribution.

The topic of inequality appears one in which the book has an implicit

bias: instead of addressing the issue of economic inequality head on, the book discusses it indirectly, suggesting its desired answer without explicitly arguing the point. This is not a desirable feature in a textbook or as part of a university education.

Consider the discussion on pp. 47-8 headed "What is money?" This gives an idealized and overly fanciful account of the origin of money, with voluntary trades leading to pocketfuls of IOUs, which are eventually replaced by currency. The actual history of money is just as interesting, and different, so what is the motivation of this passage? After noting that the accumulation of money is also an accumulation of wealth, the concluding paragraph states that "Money comes to represent the promises we make to each other when we trade," and that wealth, the accumulated "money sitting in your bank account, is, in essence, a pile of IOUs – services you have provided to your community without having yet asked for anything in return. If you really earned that money, then you should be proud of it." This passage is likely to be read as saying that a person's wealth represents a promise made by society, and without saying so directly or addressing the issue explicitly, it *implicitly suggests* that it would be wrong to tax this wealth.

Consider also the discussion of Thomas Edison, p. 200. It is hard to read the passage other than as saying that he deserved every dollar he received. Edison was a great inventor and became very rich. The book *implicitly* discusses whether he should have been taxed more in terms of whether he owed something to future generations: "Suppose we said Edison had obligations to future generations. As Elizabeth Warren puts it, he has obligations 'to the next kid who comes along.' It is not obvious why that would be true, but suppose it is. In that case, the question becomes: What if Edison did, in fact, help the next kid who came along? What if Edison, in fact, passed on something incredible to the next kid? After all, he gave that kid the light bulb." This is a tendentious discussion that does not attempt to *explicitly* address serious policy issues about the appropriate level and progressiveness of income taxes, the specific tax rates on capital income, and the rates of estate, inheritance or wealth taxes that would be appropriate for very wealthy individuals.

Income and wealth inequality are key factors in creating inequality of opportunity in the next generation. Major mechanisms in transmitting economic advantages across generations are through educational advantages, i.e. investment in the extent and quality of children's or grandchildren's education, and direct transmission of wealth through gifts and bequests. An active

area of research in economics considers the optimal levels of income and other taxes for high income and high wealth individuals. Although many factors are involved, one key element of this calculation is the elasticity of the reduction of labor effort of high income individuals in response to an increase in the marginal tax rate. This is a number that can be estimated. My central point, however, is that this textbook simply takes off the table any explicit discussion of these issues.

Finally, I find that the book in various sections has a 'preachy' tone, with passages that strike me as out of place in a textbook. Chapter 4, "Why entrepreneurship?" reads like a motivational talk encouraging the reader to become an entrepreneur. We are told (p. 19): "You may spend your whole career working for someone else, living a perfectly happy life. There is no shame in playing it safe and avoiding the risk of going into business for yourself." But the overall tone suggests otherwise: "Our job is to make sure you have information and to encourage you not to be afraid." And the chapter ends with a lead-in towards its views on wealth, described above, with: "It sounds like a challenge, and it is, but it can be a great life too." If you are honest and provide valuable services to your customers, "then you can make a lot of money, and you can be proud of every dollar."

To conclude, I strongly recommend against a course based on this book. The sections on macroeconomics are very poor, well below the threshold for adequacy, in terms of the quality of the analysis presented. The sections on monetary and fiscal policy fail to make critical distinctions and are likely to lead to confusion. No serious analysis is presented for the sources of recessions and macroeconomic fluctuations. Stunningly, there is no discussion whatsoever of the financial crisis and Great Recession of 2007-9 or the policy response. Other sections of the book that I read carefully are also below the bar, and several salient and important economic issues – climate change, economic inequality and public health – are not addressed.

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