Best Books of 2021: Ryan Bourne, Economics in One Virus (Cato Institute, 2021) and Caleb Fuller, There Is No Free Lunch (Freiling, 2021)

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Economists are an unpopular bunch. One reason for this is that much of their job is putting parameters on people's utopias. Spending more money on one issue people care about means spending less on other issues that someone else cares about. Neither politicians nor the public have kind words for those who remind them that tradeoffs exist. Economists, regardless of political persuasion, also tend to have different views than the general public on issues such as trade, immigration, minimum wages, and rent controls. Getting shouted down by people who have not studied the issue at hand is a feeling many economists know all too well.

This dismal reputation is undeserved for two reasons. One, the economic way of thinking is useful. It can shine light on how grocery stores work, why politicians behave the way they do, and even feeding behavior in birds. Two, it is fun. Basic economic principles are at work, right now, almost everywhere in the real world. Looking for them, and seeing them in action, is a discovery process that provides constant "A-ha!" moments. Two of this year's best economics books explore both of those themes in ways that anyone can understand.

Economics in One Virus: An Introduction to Economic Reasoning through COVID-19,by Cato Institute scholar Ryan Bourne, shows how applying basic economic concepts can make dealing with the pandemic easier and less contentious. Grove City College economics professor Caleb Fuller's *No Free Lunch: Six Economic Lies You've Been Taught And Probably Believe*shows that economic reasoning is not only useful, it can be fun. Both books give clear and enjoyable explanations of basic concepts in the economist's toolkit, in different ways.

Bourne's *Economics in One Virus* is the more thorough of the two books, about 270 pages of text to Fuller's 110. As the title implies, it focuses on current events, while Fuller's book is more evergreen. First a bit on Bourne's book, then we will turn to Fuller's.

Each of the 16 chapters in *Economics in One Virus* focuses on a different economics concept. He gives layman-friendly explanations of tradeoffs, risk analysis, trade and specialization, and more. His application of marginal thinking to COVID-19 lockdowns and other policies is especially enlightening. It shows that politicians are not as impactful as they think they are, and gives good reason for people to be more civil to their political opponents. Bourne shows why it is perfectly reasonable to support vaccines and mask wearing, while also opposing mandates.

When COVID first hit, people started adapting right away by staying home and socially distancing. They didn't wait for governors and presidents to tell them what to do. When some states started passing mandates and other rules a few weeks later, they had little effect *at the margin*. Most people were doing the right thing anyway, so lockdowns and masks mandates had little *additional* effect. That's what thinking at the margin is.

People who weren't listening to their families, friends, and colleagues probably didn't suddenly change their mind because of something some politician said. If anything, lockdown orders and mask mandates likely caused a backlash, with some people to digging in harder against safety measures. A virus with no political views of its own became a heated political issue for no good reason, which likely resulted in more funerals than necessary.

The lessons from Bourne's application of marginal thinking are that most people are smarter than politicians think, and that mandates and other measures have smaller effects than most people on either side of the political spectrum thinks. They are bad policy, not just on libertarian grounds, but because their effects are small, especially compared to the amount of social tension they cause. I tried but failed to articulate this point early in the pandemic, and was delighted to see Bourne do it right. That discussion alone is worth the price of admission.

Bourne's other highlight is Chapter 13's introduction to public choice theory, which is underserved in most popular economics books. Public choice theory, in a nutshell, says that politicians will always behave in a self-interested manner; design your political systems accordingly.

Too many people have an idealized view of politics, where things would improve if we can just pass the right bill or elect the right people this time. Government doesn't work that way. Policies are made by the government we *have*, not the government we would *like to have*. Any well-meaning reform will have to make it past the desks of people like Mitch McConnell and Nancy Pelosi. It will be watered down, compromised, and loaded with unrelated political favors. Reformers who do not take this into account will fail.

The solution is to focus on larger political processes, not just this or that bill or regulation. We know that politicians will always have an incentive to get reelected and to grow their budgets and powers. But we also know that different rules will give different results. A well-designed political system channels politicians' incentives in a better direction—or at least a less harmful one.

A political system that disperses political power will be freer than one that concentrates it in a king or a president. A system that makes it difficult to pass hasty "flash policy" during a crisis will be more resilient than one that lets it through. That is why we have a Senate, as well as a House of Representatives. That said, America's recent experience with the PATRIOT Act, Dodd-Frank financial regulations, and now trillions of dollars of COVID spending bills shows that we need to improve our rules in that area. Harmful crisis legislation has happened three times already this century. Absent reform, it will happen again when the next crisis hits.

With the possible exception of the notion of tradeoffs, public choice theory is probably the most important defense the public has against politicians and populist demagogues. Bourne's highly readable application of public choice to COVID-era policy making is an important public service.

Fuller's *There Is No Free Lunch* is more about the ideas themselves than about applying them to specific issues like the pandemic. At the same time, it is more focused than *Economics in One Virus*. Where Bourne gives a tour of more than a dozen different concepts, Fuller's six chapters each cover a different aspect of one idea: opportunity costs. They are each framed as myths—destruction is profit, trade is war, exchange is exploitation, and so on—which he then busts.

Early on, Fuller acknowledges his debt to the 19th century French economist Frederic Bastiat and his 20th century American successor, Henry Hazlitt. Bastiat wrote the famous parable of the broken window, which remains the classic explanation of opportunity costs.

In this story, a young boy accidentally breaks a shop window. The townspeople hail him as an economic hero, because he has created a job for the glass repairman. He will in turn spend his money on a new suit, the clothier will spend that money on something else, and on down the line. This may sound familiar, because many politicians use similar reasoning in promoting their spending bills.

The problem is that the cheering citizens have ignored opportunity costs. They see the repairman's new suit, but they don't see that if the window was never broken in the first place, the shop owner could have had *both* the window and a new suit. Instead, he is down a window, and the economy as a whole has the same amount of new suits, not more of them. The boy caused a net loss.

Hazlitt updated Bastiat for the 20th century with his 1946 book *Economics in One Lesson*, which applied the broken window fallacy across a range of policy issues. Fuller's book is a worthy, and needed, update to the Bastiat-Hazlitt tradition. It helps that Fuller is an excellent storyteller. Even veteran economists will find new material here.

As a way to show the opportunity costs of rent controls, Fuller shares a story from the economist Bertrand de Jouvenel about post-World War II Paris. Rent controls made apartments so scarce that people would stalk the elderly day after day and pounce on their rent-controlled apartments as soon as they died. Lower money prices for rent raised non-money prices, such as scarcity. Would-be renters who could have been working and earning money instead would spend their time ghoulishly tracking people waiting for them to die. In that case, human decency was a cost of rent controls.

Speaking of which, rent control also enables discrimination. When lots of people queue up for scarce apartments, landlords can choose tenants based not on price, which is set by regulations, but on their prejudices. They also tend to choose childless couples over couples with children, who will draw on the walls and break things. In New York City, basic maintenance was often neglected, because controlled rents didn't always cover the cost. Arson rates went up, as some landlords decided to torch their own buildings rather than be legally forced to lose money. Some landlords even fled to the Caribbean and assumed new identities, as documented in Walter Block and Edgar Olsen's edited book *Rent Control: Myths and Realities*, which includes several pictures of burned-out buildings. Was the destruction caused by bombs or rent control? The answers are at the end of their book.

Fuller also shares economist Steven Cheung's story about Hong Kong landlords' response to a rent control provision allowing for rent increases when tenants turn over. They would sometimes remove windows during monsoon season so rent-controlled tenants would move out rather than tolerate the conditions. The landlords could then charge higher rent to the next tenant.

Occupational licensing has its own opportunity costs. They benefit incumbents, who are enriched by being able to charge higher prices and keep out competitors. And many would-be workers lose career opportunities.

But what about consumers? Here Fuller uses what I call an "invisible coffins" argument. Occupational licensing is associated with measurably more electrocution deaths, blindness, and even poorer dental hygiene.

That is because those licenses can cost thousands of dollars and hundreds of hours of training to obtain. Not only does this restrict supply, but those extra costs are factored into prices; businesses pass on their costs. This raises the cost of basic maintenance services in licensed professions like electrical work and dentistry, so poorer people will sometimes just do without, try to do it themselves, or turn to gray and black markets. That means more avoidable accidents. The effect is large enough to show up in the data, as shown in studies like this one and this one.

I have only one substantive criticism of *There Is No Free Lunch*. Fuller says on page 69, "here it is, one more time with feeling: Let's think with our heads, not our hearts." I argue that it is better to think with our heads *and* our hearts. Yes, it's nice that markets are efficient. And it does take thinking with our heads to see why, using the lens of opportunity costs. That's all necessary, but it isn't sufficient, and that's why we need to think with our hearts, too.

The post-1800 Great Enrichment has increased ordinary people's living standards thirtyfold. This is a historical development on par with the taming of fire or the invention of the wheel, and markets made it possible. Markets enable people to rise out of poverty. They help people live longer, healthier lives.

Markets also encourage virtue, as Virgil Storr and Ginni Choi argue in their book *Are Markets Moral?* Participating in markets teaches people how to cooperate, how to compete within rules, and how to trust and be trustworthy. They can use their market-generated wealth to give to charities, to support the arts and make their own art, to travel, to spend time with family, and to create opportunities to our children. Our heads show us that markets make all that possible. But we need our hearts to show us why we want those things in the first place.

Bourne's *Economics in One Virus* shows how sound economic thinking can make life in the COVID era safer and less divisive, and has ideas for effective damage control against politics. Fuller's *There Is No Free Lunch* shows how the simple concept of opportunity costs can help anyone gain insight into how everything, from bounties to retailing, actually works. Anyone who reads either of these books—or, better, both of them—will have both a clearer view of the world and some good ideas about how to make it better.