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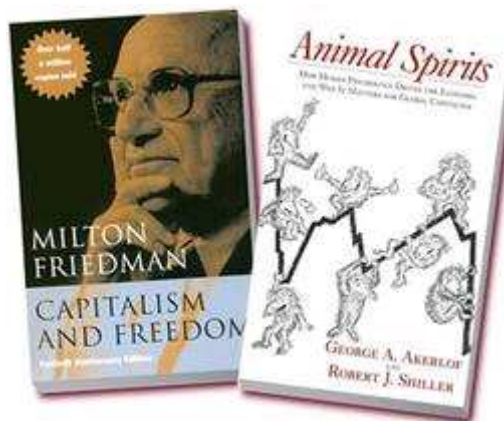
Capital Comment Blog

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Money Books for the Summer Bedside Table

Here are recommendations of the best books on the economy from leaders in the field.

By Sophie Gilbert Published Tuesday, August 04, 2009



While people in many other places are turning to a thriller, romance, or Harry Potter book for summer reading, lots of Washingtonians are trying to understand what's happened to the economy and what Washington should be doing about it. Here are recommendations of the best books on the economy from leaders in the field.

Brookings Institution fellow **Justin Wolfers** recommends *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism* by **George A. Akerlof** and **Robert J. Shiller**.

Why: “The two authors are stellar writers and natural authorities,” says Wolfers. “Akerlof is an economic Nobelist, and Shiller is one of the few economists who forecast the current downturn. It’s not so much a diagnosis of what happened in the crisis but rather an argument for a new kind of economics that takes our psychological imperfections seriously.”

Brief review: Unlike many treatises on free-market capitalism, *Animal Spirits* is an entertaining read, describing Wall Street as “wildly drunk” on its own excesses and accountants—forever maligned as detail-oriented stick-in-the-muds—as the “cool-minded sheriffs of [capitalism’s] Wild West.”

Economic consultant **William Myslinski** recommends two books by the grandfather of deregulation, **Milton Friedman**: *Capitalism and Freedom* and *Free to Choose*, which was cowritten by Friedman’s wife, **Rose**.

Why: “At a time when capitalism is under attack and socialistic, big-government solutions seem more appealing, it’s wise to review the classics,” says Myslinski. Both books, he adds, “explain why, with all its imperfections, capitalism is by far the best system for safeguarding individual liberty as well as

the best hope for material prosperity for all social and economic classes.”

History: *Capitalism and Freedom*, at almost 50 years old, is one of the most influential books about economics ever written and has been published in 18 languages.

Economic historian **Niall Ferguson** recommends *The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What It Means* by **George Soros**.

Why: “No one understands the interplay of money, markets, and the madness of crowds better than Soros,” Ferguson says of the billionaire speculator and philanthropist.

Quotable: Soros writes, “The idea that financial markets are self-correcting and tend toward equilibrium remains the prevailing paradigm on which . . . financial markets are based. I contend that the prevailing paradigm is false and urgently needs to be replaced.”

Irony: A May 2008 *USA Today* profile referred to Soros’s “apocalyptic rhetoric.” “The Dow is hovering near 13,000 and unemployment is a relatively low 5%,” the writer said. Soros replied with the story of a man who falls from the Empire State Building and thinks halfway down, *So far, so good*. “That’s where we are right now,” Soros laughed. Presumably, he’s still laughing.

Cato Institute executive vice president **David Boaz**, author of *Libertarianism: A Primer*, recommends *Getting Off Track: How Government Actions and Interventions Caused, Prolonged, and Worsened the Financial Crisis* by **John B. Taylor**.

Why: “The subtitle says it all,” says Boaz. “It wasn’t greed—which is a constant of human nature—which caused the crisis. It was bad incentives caused by bad regulations and cheap money.”

Synopsis: Taylor argues that the classic explanation of financial crises—namely that they’re caused by wretched excess—still holds, but he maintains that the government, not greedy bankers, is to blame.

Quotable: “[Government] made [the financial crisis] worse by supporting certain financial institutions and their creditors but not others in an ad hoc way, without a clear and understandable framework.”

This article first appeared in the August 2009 issue of The Washingtonian. For more articles from that issue, click here.

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