

Hazlitt, Henry - Economics In One Lesson

Three Rivers Press, 1979, [Economics] Grade ★★★★★

Economics has always had the nickname, “the dismal science”. This has probably never been truer today. People who can explain how economics work in a simple way are rare. Henry Hazlitt is one of few. This book was first written in 1946, a time when his views were unfashionable (John Maynard Keynes was the role model at this time), and it was slightly updated in 1979 when his opinions were back in vogue. Hazlitt is a hero in libertarian circles, both in the past with friends like Ayn Rand, Friedrich von Hayek and Milton Friedman, and right now with praise from Ron Paul and Steve Forbes. However, I don’t think you have to be a libertarian or a conservative to appreciate this book. Over 1 million copies have been sold so far.

The book’s subtitle is “The Shortest And Surest Way To Understand Basic Economics” which probably is true, especially if you politically have more conservative views. The book opens strongly with part one “The Lesson”, which on eight pages explains the basics, which actually is enough to read. Then that is applied on various topics like why there is no net benefit to the economy from broken windows or wars, plus several chapters on why less government is better than more.

This must be one of the easiest books to read in the field of economics. Very simple language and complex issues are dealt with head on. They are beautifully explained. The text is a pleasure to read, and an entertaining read too, since you tend to side with the author against everyone else, who doesn’t seem to understand anything.

The battle among economists (say the Austrian school against the Keynesian), politicians (Tea Party against Obama) or countries (like Germany against PIIGS) is as fierce as it has ever been. It’s been an on-going battle since the gold standard

fell out of favour during the 1930’s. The topics of the current debate in Europe, Japan and the US are the same. More or less government intervention, more or less/no QE etc. My favourite chapter is part three, which was added in 1979, which has the title “The Lesson After Thirty Years”. His conclusion then was that politicians had learnt nothing. The policies he had warned for in 1946 had been implemented by politicians and the western world was now suffering because of that. He focused specifically on the topic of the decade, inflation. He viewed it as an effect of a big increase in government spending, big government deficits and the big increase in stock of money.

His discussion around this problem feels very current. Despite that everything had gone against him over those 30 years, and that he concludes that the outlook is dark he manages to find some hope. That hope was that he felt that the “Keynesians” and the “New Dealers” were in retreat, and that the conservatives, libertarians and the defenders of free enterprise were more outspoken. That hope actually proved to be right, in the sense that inflation was killed. However, I highly doubt that he in his wildest dreams would have guessed what actually happened over the following decades and that he would have been very unhappy with the current situation. Still, just as in 1979, I guess he would have seen some hope in the debate.

In part one he has even narrowed down his lesson, to one sentence “*The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists of tracing the consequences of that policy not merely for one group but for all groups*”.

Mr Hazlitt died in 1993 (98 years old). If not, I would have looked forward to an update, a chapter four - The Lesson after 64 years.

Bo Börtemark, February 9, 2012