



Book reviewBook review: Economics: A Global Introduction, Ananish Chaudhuri.

Economics: A Global Introduction by Ananish Chaudhuri, Routledge, British Pounds 49.99 (Paperback). ISBN-13: 9,781,032,411,514

In his book, “Economics: A Global Introduction,” Ananish Chaudhuri incorporates recent results from laboratory, field and natural experiments. It introduces students to empirical evidence from areas which past textbooks have not. Instead of sticking to classic economic reasoning, that puts the burden of understanding economic concepts onto the students, this book takes them down the path of experimentation and empirical results. The emphasis is on the fact that economists do get their hand dirty, generate data and use well defined scientific methods to study natural experiments. The majority of the text books for Principles of Economics textbooks have failed in this regard and have changed little since the classic Samuelson tome. They have not adapted to the changing economic landscape, that is increasingly empirical, with insights from laboratory, field and natural experiments. They fail to transmit that economics can be a process of discovery.

Chaudhuri (Professor of Experimental Economics, Department of Economics, University of Auckland Business School, University of Auckland) is an experimental economist and has a keen eye for empirical evidence and this is clearly reflected in the book. He departs from traditional books by providing evidence from behavioural, experimental and empirical research to explain economic concepts. It makes it clear to a principles student that economics is about “trying to understand the world around us” and that economists can study problems across many domains, due to our toolkit.

The student will see that economics problems are wide ranging, ranging from the functioning of markets, design of auctions for spectrum markets and organ exchange, use of nudge in policy interventions in health (ex: opportunity costs and Covid decision making) and education, that famines are one of the reasons behind civil wars, how expectations play an important role in markets, climate change, etc. The book shows, to an economics beginner, that economics is very relevant to the problems we face as a society, is hands on, interesting, and fun. Importantly, economists have the tools to understand important concepts such as trade-offs, which can be applied to economic or policy decisions in other decision-making scenarios (Covid-19 for example). This is the message we want to convey to undergraduates, that economists get their hand dirty, look at, generate data, and it is a process of discovery that can be fun. Importantly, we discover unexpected results contrary to established wisdom. Economics is no longer about believing, its about observing economic outcomes and critically analysing them.

As in all principles’ texts, the book has its micro and macroeconomics components. The introduction is well written and gives examples from real life to illustrate the usefulness of economics in explaining decision making in the real world. I like the use of examples students can relate to, such as in the Section 1.2. For example, the role of rainfall in predicting civil wars in Africa, the relation between per-capita income and birth-rates, correlation vs causation, base rates, and Covid-19, and identified vs statistical deaths. The scope of using analytical tools is wide.

Chapter 2 deals with buyers and markets. It uses classic economic concepts and their power in explaining real world phenomenon. Chapter 3 then moves onto the behavioural analysis of markets where it presents evidence from neuroeconomic and experimental studies. This is welcome as it shows students that economic decision making is a complex phenomenon. My only concern with this, standalone chapter is in Section 3.4 where Chaudhuri gets into the market equilibrium. He correctly uses the classic [Smith \(1962\)](#) experiments to show experimental markets converge to the competitive equilibrium under less restrictive assumptions. However, I feel that the experimental detail could have been shortened substantially. It would have been better to use this as a limitation of classic economic theory.

I Enjoyed reading chapter 4 on elasticity and substitution where readers are also introduced to price discrimination and tax policy. I welcomed the inclusion of recent evidence on the impact of minimum wages on local wages and employment, and political economy of price floors. Additional details could have been provided that the recent results on minimum wages are nuanced. For example, how do small businesses accommodate such interventions (see [Rao and Risch \(2024\)](#) and [Ashenfelter and Jurajda \(2022\)](#)). Chapter 5 delves into the pricing decision of the firm. Market power and price discrimination are prevalent in our societies and an important concept for any budding economist. I would also point out that the presentation of survey evidence on the role of fairness is partial (6.4) as it cites the famous [Kahneman et al. \(1986\)](#) survey experiments. These survey results have later on shown not to be robust ([Franciosi et al.](#)

(1995)). They showed that the questionnaires suffered from framing effects. It may have been good to emphasise at this point that results from research are also sensitive to framing effects. Also, it may have been useful to include a discussion on gender discrimination (unconscious bias, wage gap) in labour markets

Chapter 7 deals with market power and discussions on perfect competition. One message that is missing is that that monopoly power may be countervailed by big-buyers. The importance of strategic thinking cannot be overstated. Chapters 8 and 9 are nicely motivated with several real-life examples from sports, game shows, movies, animal world and the environment. The example from the movie “The Princess Bride” is informative and engaging as regards strategic thinking. The reader is then shown how simple intuitive strategic models map into real world situations. The only part I missed was that one needs to emphasize that economic models overstate competition. Experiments have shown that market participants can generate own norms of fairness or rules for market sharing. Regarding the discussion on public goods in Chapter 9, the standard model of public good provision (i.e. a pure public good as defined by Buchanan, 1968), which is taught widely and a good example of strategic thinking, is only valid for a few real-world examples (global climate and defence are two). This model is not a good reflection on how these goods are provided in the real world where the decision can be delegated or made by elected officials. Again, cooperation is more prevalent than economic theory predicts. Finally, as before, I found that discussions tended to be lengthy and could have been shortened or presented as separate short examples while the main points are briefly introduced in the text.

Part 2 of the book deals with macroeconomics. The book incorporates elements from experiments (where appropriate) to discuss topics such as inequality, the role of luck or merit and money illusion. This is a good way to explain complex concepts in a simple manner. Also, the student is introduced to digital currencies, a current and important topic, and its relevance as regards consumer spending behavior. However, I feel that the discussion (again) tends to get lengthy. For example, in section 11.2, where the student is introduced to how interest rates are determined, the reader learns that the interest rate is a price after nearly two pages of examples (and the D-S figure comes later). It would have been better to first introduce the concept (relying on the D-S intuition), and then follow it up with examples. Neither am I convinced as to the inclusion of asset market bubbles, a complex phenomenon, in a principles text. A similar point applies to the chapter on international trade. At this stage the students understand the concept of opportunity costs. Hence, taking a leap into comparative advantage should be simpler and intuitive. Making this point straight at the beginning of the text, would have made following the rest of the chapter much easier. Regarding the discussion on Comparative Advantage, I missed a graphical representation that shows how the consumption possibilities shift out when two entities trade. The shift of the consumption possibility frontier clearly illustrates the gains that can be exploited via specialization. Instead the discussion is centered around less intuitive tables. Finally, I welcomed the discussion on why trade is a controversial phenomenon. It would have been nice to link this to the earlier discussion on acceptance of inequalities, as trade does produce gainers and losers.

Coming to exchange rates, I would have rather seen the chapter start by providing an intuitive explanation, as to what exchange rates are? What determines the different relative values for currencies? An intuitive explanation to this regard is lacking. Finally, in the last few chapters, the book deals with current and important topics such as government policy, and the link between government policy and financial flows. The Greek crisis is dealt with as an example where the dilemma governments face in times of crisis is dealt with. The inclusion of a discussion on cryptocurrencies is welcome, a topic, students relate with (some of my undergraduate students actively invest in these markets).

Look at any standard economics principles text. We economists often speak to ourselves and not to a broader audience. Talking to ourselves does not make economics interesting. A principles economic text has to break this barrier. We need to use a simpler language that is understood by a broader audience. This book, in parts, makes the same mistake but less so. Overall, it is a refreshing change in the crowded principles market due to it not being shy of including important evidence from both experimental and behavioural research. My main critique would be that the descriptions and examples could have been shorter as they may not be best for an introductory text. To close, the book has many positives, it shows how economic theory is useful to understand the world around us and acknowledges its limitations by showing experimental results while admitting that classic economic theories may not fully capture human behaviour.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

References

- J. Buchanan, (1968), The demand and supply of public goods, The collected works of James M. Buchanan, 5, Liberty Fund, Indianapolis, IN (1968).
- Ashenfelter, O., & Jurajda, S. (2022). Minimum wages, wages, and price pass-through: The case of McDonald's Restaurants. *Journal of Labor Economics*, 40(S1), S179–S201.
- Franciosi, R., Kujal, P., Michelitsch, R., Smith, V., & Deng, G. (1995). Fairness: Effect on temporary and equilibrium prices in posted-offer markets. *The Economic Journal*, 105(431), 938–950.
- Kahneman, D., Knetsch, J., & Thaler, R. (1986). “Fairness as a constraint on profit seeking: Entitlements in the market”. *American Economic Review* 76, 728–741. reprinted in Thaler, R., *Quasi Rational Economics*. Russell Sage Foundation, New York, 1991, 199–219.
- Rao, N., & Risch, M. W. (Apr 2024). *Who's Afraid of the Minimum wage? measuring the Impacts on Independent businesses using Matched U.S. Tax returns*. Stephen M. Ross School of Business: University of Michigan.
- Smith, V. L. (Apr., 1962). An Experimental Study of Competitive Market Behavior. *The Journal of Political Economy*, 70(2), 111–137.

Praveen Kujal 

Accounting, Finance & Economics, Business School, Middlesex University, The Burroughs, London NW4 4BT, UK
E-mail address: p.kujal@mdx.ac.uk.