



BOOK REVIEW

THE ECONOMIC WAY OF THINKING

By Paul Heyne, Peter Boettke and David Prychitko, Prentice Hall, 2010. 405 pp., ISBN: 978-0-13-603985-3.

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The tribute by Douglass C. North (a Nobel Prize Winner in Economics Sciences, 1993) in the opening of this book drew my attention to it. Within a mere 405 pages, which is considered moderate by the standard of economics books, the authors have successfully arranged the building blocks of economics in a nutshell. The content is cleverly divided into 16 chapters, beginning with the basic feature of economic theory as all social phenomena emerging from actions and interactions of individuals who are choosing in respect to expected benefits and costs to themselves. Discussions revolve around the emphasis on individual choices, economizing process and the pro-market preference, concluding that although facts can be observed, it takes a theory to explain the causes.

Too much teaching is said to make abstract economic theories appear dull to students. On the contrary, the book is designed to act as basic kit of intellectual tools to master the art of applying the theories sensibly to actual social problems in their infinite complexity.

Chapter 2 explains the relevance of efficiency, exchange and comparative advantage in general. Profits made by merchants without value addition are seen as the epitome of inefficiency, whereas exchange is productive because it avails more of what people value. Economic efficiency is said to depend on marginal decisions, with the least cost producers to gain from specialization by expanding production possibilities. The evolution of division of labor without a blueprint and the establishment of rules of law for a commercial society is necessary for successful development.