

The ARMCHAIR ECONOMIST

Economics and Everyday Life
Revised and Updated for the 21st Century

STEVEN E. LANDSBURG



SIMON &
SCHUSTER

London • New York • Sydney • Toronto • New Delhi

A CBS COMPANY

TABLE OF CONTENTS

Preface to the Second Edition	vii
Introduction	xi

I. WHAT LIFE IS ALL ABOUT

1. The Power of Incentives: How Seat Belts Kill	3
2. Rational Riddles: Why U2 Concerts Sell Out	13
3. Truth or Consequences: How to Split a Check or Choose a Movie	25
4. The Indifference Principle: Who Cares If the Air Is Clean?	38
5. The Computer Game of Life: Learning What It's All About	53

II. GOOD AND EVIL

6. Telling Right from Wrong: The Pitfalls of Democracy	59
7. Why Taxes Are Bad: The Logic of Efficiency	73
8. Why Prices Are Good: Smith versus Darwin	88
9. Of Medicine and Candy, Trains and Sparks: Economics in the Courtroom	100

III. HOW TO READ THE NEWS

10. Choosing Sides in the Drug War: How the <i>Atlantic Monthly</i> Got It Wrong	115
---	-----

11. The Mythology of Deficits	128
12. Unsound and Furious: Spurious Wisdom from the Media	142
13. How Statistics Lie: Unemployment Can Be Good for You	166
14. The Policy Vice: Do We Need More Illiterates?	179
15. Some Modest Proposals: The End of Bipartisanship	188

IV. HOW MARKETS WORK

16. Why Popcorn Costs More at the Movies: And Why the Obvious Answer Is Wrong	201
17. Courtship and Collusion: The Mating Game	216
18. Cursed Winners and Glum Losers: Why Life Is Full of Disappointments	224
19. Random Walks and Stock Market Prices: A Primer for Investors	232
20. Ideas of Interest: Armchair Forecasting	243
21. The Iowa Car Crop	252

V. THE PITFALLS OF SCIENCE

22. Was Einstein Credible? The Economics of the Scientific Method	257
23. New Improved Football: How Economists Go Wrong	268

VI. THE PITFALLS OF RELIGION

24. Why I Am Not an Environmentalist: The Science of Economics versus the Religion of Ecology	279
Appendix: Notes on Sources	291
Index	303