

The macroeconomics manual you didn't know you needed

Learn macroeconomics. Pay what you want. That's the groundbreaking approach of IESE professor Javier Díaz-Giménez's new book written for (nearly) everyone.



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Macroeconomics — so often considered a difficult subject, a seemingly indecipherable morass of concepts, theories, mathematical formulas and data. But it doesn't have to be, says IESE's [Javier Díaz-Giménez](#), whose new book, *Macroeconomics for Nearly Everyone*, sets out to let readers understand how the global economy works and how it is managed.

It's the latest incarnation of a textbook that Díaz-Giménez has been fine-tuning over years of

teaching, and which he is now providing on his website under a "pay what you want" model.

Grounded in reality

The Díaz-Giménez approach to understanding macroeconomics is based on two premises. The first is to think of the economy as a set of business ventures that "are carried out in a given economic environment and are regulated by a specific set of rules." The second involves the complexity of the economic environment we have inherited.

The book employs two methods used by economists — simplification and consolidation — to boil down the decisions of households, companies and governments into a basic model that allows readers to understand the real-world consequences of economic policy.

And yet, replete with references to current events and multiple reflections (comparing the roles of economists and physicians, for example), it's a work that defies its coursebook origins, and reads more like an essay. Theoretical explanations are illustrated with examples, and each chapter is broken down into four sections — conceptual framework, real macroeconomics, monetary macroeconomics and international macroeconomics — accompanied by exercises.

Take this exercise rooted in economic logic: if an expert knew the winning number in a 5-million-euro-prize lottery, how much would that information be worth? Other examples deal with real-world situations, running the gamut from eurozone exchange rates to monetary policy before and after the 2008 financial crisis.

And unlike many economists, Díaz-Giménez has the reader first and foremost in mind, aiming to "get into the heads of macroeconomists" and make their concepts applicable. He dives into the real implications of growth, GDP, the public and private sectors, the difference between value and price, the labor market, pensions and the financial economy.

Three gifts

Javier Díaz-Giménez believes that economics is also about opinions and beliefs and not just because economists bring their own judgments on the effectiveness and consequences of policy interventions.

He adds a few of his own opinions; for example, that while a country's growth should be "sufficient, sustained and balanced," inequality between its citizens must be "reasonable," meaning that wealth inequality should be "consistent with the collective preferences."

To whet readers' appetites, Díaz-Giménez early on offers "three gift ideas" from the world of macroeconomics.

- *There is no free lunch*, essentially an "executive summary of the knowledge economists have accumulated" in the two and a half centuries since Adam Smith wrote his foundational text. From Smith to Borges (not a usual player in economics textbooks), how do we manage scarcity?
- *Everyone responds to incentives*, a ray of hope that demonstrates that changes in behavior are possible.
- *Nothing is more practical than a good theory*. Paradoxical though it may sound, it's a reminder that good theories have practical applications.

A call to action, at least to the action of engaging with macroeconomics by way of this book, whose value is sure to exceed its purchase price.

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