Preface

“Dad,” my kids regularly ask me, “why do you write such boring books?” They then giggle and run away before I have a chance to tickle them to tears. They are still too young to realize that boring, like beauty, is in the eye of the beholder. The financial crisis of 2007–2008 has made the study of money and banking almost as exciting as sex, drugs, and rock ‘n’ roll because it has made clear to all observers just how important the financial system is to our well-being. This is the first textbook to emerge from that crisis, to which my co-author, Vincenzo Quadrini, and I have devoted an entire chapter, and we have included numerous references to it throughout the book. This book is also exciting, or at least not boring, because of the writing style we have employed. Numerous humorous links are provided and slang terms are peppered throughout. Seemingly complex subjects like money, interest rates, banking, financial regulation, and the money supply are treated in short, snappy sections, not longwinded treatises. Yet we have sacrificed little in the way of analytical rigor.

This book is designed to help you internalize the basics of money and banking. There is a little math, some graphs, and some sophisticated vocabulary, but nothing terribly difficult, if you put your brain to it. The text’s most important goal is to get you to think for yourselves. To fulfill that goal, each section begins with one or more questions, called Learning Objectives, and ends with Key Takeaways that provide short answers to the questions and smartly summarize the section in a few bullet points. Most sections also contain a sidebar called Stop and Think. Rather than ask you to simply repeat information given in the chapter discussion, the Stop and Think sidebars require that you apply what you (should have) learned in the chapter to a novel situation. You won’t get them all correct, but that isn’t the point. The point is to stretch your brain. Where appropriate, the book also drills you on specific skills, like calculating bond prices. Key terms and chapter-level objectives also help you to navigate and master the subject matter. The book is deliberately short and right to the point. If you hunger for more, read one or more of the books listed in the Suggested Reading section at the end of each chapter. Keep in mind, however, that the goal is to internalize, not to memorize. Allow this book to inform your view of the world and you will be the better for it, and so will your loved ones.