



This is “Preface”, article 3 from the book [Finance, Banking, and Money \(index.html\)](#) (v. 2.0).

This book is licensed under a [Creative Commons by-nc-sa 3.0](http://creativecommons.org/licenses/by-nc-sa/3.0/) license. See the license for more details, but that basically means you can share this book as long as you credit the author (but see below), don't make money from it, and do make it available to everyone else under the same terms.

This content was accessible as of December 29, 2012, and it was downloaded then by [Andy Schmitz](#) (<http://lardbucket.org>) in an effort to preserve the availability of this book.

Normally, the author and publisher would be credited here. However, the publisher has asked for the customary Creative Commons attribution to the original publisher, authors, title, and book URI to be removed. Additionally, per the publisher's request, their name has been removed in some passages. More information is available on this project's [attribution page](http://2012books.lardbucket.org/attribution.html?utm_source=header).

For more information on the source of this book, or why it is available for free, please see [the project's home page](#) (<http://2012books.lardbucket.org/>). You can browse or download additional books there.

## 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. This book is exciting, or at least not boring, in part because of the writing style I’ve employed. Multiple humorous examples 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 long-winded treatises. Yet I have sacrificed little in the way of analytical rigor.

Moreover, 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. Edition 1 was the first textbook to emerge after that crisis, and the crisis and its aftermath have shaped this second edition in important ways. Most of the book explains what economists currently consider to be “facts,” statements that the majority of academic researchers agree to be true. Sometimes, however, the narrative becomes more controversial because what economists consider true is changing, partly due to new ideas and discoveries and partly due to new perspectives ushered forth by the recent financial crisis. I share those new ideas whenever I think them important to financial literacy. Readers should also know from the outset that I have been called a “pragmatic libertarian.” In other words, I believe governments should venture into the economy only when they demonstrate that their actions actually improve people’s lives. Some readers may call this a “bias,” but they need to understand that I came to this view after two decades of intense study. It’s an expert judgment, not an ideological predilection. Where I am agnostic on an issue, I “teach the controversy” and narrate all sides of the debate. Where I believe one side has conquered another, however, I take the side of the conqueror and mention the conquered only in passing. For example, if this were a biology text, to refer to a commonly understood issue of this type, I would explain the theory of evolution by means of natural selection and mention creationism only to provide historical or current events context.

Not all experts share my pragmatic libertarianism, and even your professor may question some of my claims. Such controversies are key learning opportunities because they will help you understand that money and banking, like most other subjects you study in college, is not a static body of knowledge to be swallowed and regurgitated on an examination but an evolving concept that is constantly improved by its interactions with reality. And participating in clashes of ideas with

each other and with reality can be much more exciting than blasting a video game alien or passively watching a sporting event (even in HD).

In case you haven't surmised it yet, 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 chatty but 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, a hypothesis developed more thoroughly in the first chapter.