

12 Articles Every Aspiring Economist Should Read

Editor's Pick. Written by Steven Horwitz.

Nothing stirs up controversy in the digital age quite like a list. But lists, especially ones that provide an easily accessible way to learn essential information, have their purposes. Below, I offer 12 articles that I think every aspiring economist should read. Before we get to the list, let me say a few things about how I created it.

First, my imagined audience is an undergraduate who intends to enter a PhD program in economics, although the list could be interesting and useful for other people with other goals. Second, this list most certainly reflects my own interests and training. It is a list very much in what Peter Boettke would call the “mainline” of economic thinking, which sees markets as effective coordinating processes and is skeptical of what government can do to improve on them. Third, this list is most emphatically not “the” 12 articles people should read. I can think of another dozen important reads that I left off this list. So I am certainly not making a definitive statement of the 12 best, or only, articles one should read. These are simply 12 that I think are important to read to understand sound economics, ideally before one heads off to grad school in economics.

With that said, here’s my list, organized by subtopic and then chronologically. I’ve linked to online versions where I could find them.

Political Economy

1. Ludwig von Mises, “Economic Calculation in the Socialist Commonwealth” (1920)

This is the article that began the 20th-century debate over the possibility of rational economic calculation under socialism. It remains the definitive statement of the absolute necessity of private property, markets, and money prices in order for people to have a clue about what to produce and how to produce it.

2. F.A. Hayek, “The Use of Knowledge in Society” (1945)

Written at the end of the calculation debate, Hayek’s very famous essay explores how markets and the price system enable us to use the decentralized and partial knowledge of others. The lesson is that markets are communication systems, without which we would not have advanced production and the wealth it brings.

3. Gordon Tullock, “The Welfare Costs of Tariffs, Monopoly, and Theft” (1967)

Although this article did not coin the term “rent-seeking,” it is the paper that laid the

theoretical foundation for the idea that the costs of government intervention are not just the direct losses of efficiency of, say, monopolies, but also resources expended by the citizenry to obtain that privilege, or to protect themselves from the coercion or intervention of others.

Microeconomics

4-5. Ronald H. Coase, “The Nature of the Firm” (1937) and “The Problem of Social Cost” (1960)

It should tell you something that Coase is the only economist with two articles on this list and they are both among the most cited articles in the social sciences, as they more or less created multiple subdisciplines in economics. The 1937 article offers an explanation for why markets, in the sense of exchange and prices, aren't always the best way to generate coordination and thereby provides a rationale for why firms, in the sense of hierarchical resource allocation, exist. Firms are sometimes lower-cost ways to organize production rather than specific contracts. This concept is what we call *transaction costs*, and Coase's article has influenced almost everything in industrial organization since. The 1960 article gave us the much misunderstood Coase Theorem and is Coase's explanation of how apparent externality problems can be dealt with by markets, both when transactions costs are low (as in many theoretical models) and when they are not (as is often the case in the real world). It is a must-read for any discussion of externalities and property rights.

6. Armen Alchian, “Uncertainty, Evolution, and Economic Theory” (1950)

As more evolutionary approaches and other criticisms of the fixation on equilibrium in modern economics have become more frequent in recent years, this article has received more attention. Alchian explores how markets are learning processes by which profit-seeking firms engage in adaptive and imitative behavior in search of those profits. This model contrasts with the unrealistic, static models of much of microeconomics.

7. Harold Demsetz, “Toward a Theory of Property Rights” (1967)

This paper is one of the most important in understanding the origins, functions, and evolution of property rights. Demsetz focuses on how property rights define domains of action and responsibility and thereby enable us to internalize externalities. Going beyond Coase, Demsetz also explores the idea of property rights as bundles of particular rights and how those bundles vary by context.

Macroeconomics

8. Leland B. Yeager, “Essential Properties of the Medium of Exchange” (1968)

Perhaps the least well-known of these 12 articles, Yeager's paper gets at the fundamental properties of money, especially the idea that we can find ourselves holding too little or too much money in comparison to our desired holdings. We accept money "routinely," which differentiates it from other goods. The features of money he describes explain why systematic macroeconomic disorder, such as recessions or the boom-bust cycle, must ultimately have origins in mismanaged money.

9. Milton Friedman, "The Role of Monetary Policy" (1968)

If Friedman's book with Anna Schwartz on the monetary history of the United States was a huge empirical nail in the coffin of old-line Keynesianism, this presidential address to the American Economic Association was its theoretical counterpart. Friedman argued that, when a central bank attempts to reduce unemployment through the Phillips Curve trade-off, people will not simply do nothing: instead, they will adapt over time by shifting their expectations (with a lag) of inflation, thereby neutralizing, completely in the long run, the Fed's attempts to reduce unemployment. In other words, in the long run, inflation cannot reduce unemployment.

10. Robert Lucas, "Econometric Policy Evaluation: A Critique" (1976)

Lucas took Friedman's argument and went the next step by arguing that, in general, the public's expectations were not independent of monetary policy. When we model the effects of macroeconomic policy, we should assume that the public knows what those policies and their effects are, and those expectations must be incorporated in the model. The result was what is now known as the rational expectations model, in which there is no systematic trade-off between inflation and unemployment even in the short run.

Methodology

11. James Buchanan, "What Should Economists Do?" (1962)

In his presidential address to the Southern Economic Association, Buchanan argues that economics has gone down the wrong path by focusing on questions of "allocation." He makes the case for the study of economics being about "catallactics," or the science of exchange and the institutional arrangements under which exchange takes place. Those institutions will determine how beneficial those consequences are. This paper pairs nicely with Tullock's rent-seeking paper and with all of Hayek's various papers on knowledge, including "The Use of Knowledge in Society," to lay out a framework for the methods of comparative political economy.

12. D.N. McCloskey, "The Rhetoric of Economics" (1985)

This paper, and the follow-up book of the same title, reminds us that economists don't

always follow their own official methodologies — and that this is a good thing. McCloskey argues that the best work in economics succeeded because it persuaded other economists with the good use of various rhetorical techniques. Economists would be better if we acknowledged this as part of our science and thereby paid more careful attention to using such techniques well.

So there's a place to start your serious economics education. I'm sure that the comments here at FEE.org and on Facebook and other social media will suggest dozens of other excellent pieces. And I'm sure I'll agree with most of those suggestions. So make yourself a big, long reading list and get reading!

Originally published at FEE.org.