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# What’s wrong with American Principles of Economics – According to Mainstream Economists?

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Abstract: Heterodox economists have ’always’ criticized mainstream economic textbooks, but what about criticisms forwarded by mainstream economists? A limited but rather overlooked and lively mainstream debate is identified. The criticisms aired in this debate almost seem to be forgotten although most of them are still highly relevant and if taken seriously could contribute to a significant improvement of textbooks.

The financial crisis and the subsequent recession has been a real challenge to economists as well as economic theory. In the media a blame game has been going on and economic theory has been seen as one of the main culprits. A repeated message has been that had economists and their theories been more adequate then we might also have avoided the crisis or at least not been taken so much by surprise.[[1]](#endnote-2) The economic textbook – as one important representative of economic theory – has also come under closer scrutiny and criticism due to the financial crisis (cf. Blinder 2010).

 Criticisms of economic textbooks do, however, go way back – among heterodox but also and maybe more surprisingly and overlooked among mainstream economists – but not so surprising to long-time readers of this journal as a major part of this debate has taken place here. It is documented in this article that a debate on modern textbooks has been going on for decades – but especially in the period of 1987-1993 – among mainstream economists that either write and/or teach in mainstream textbooks. In order to identify the mainstream potential for future changes of the textbook in general but also more specifically as a reaction to the current economic crisis this debate is analyzed in the following.

First we discuss the importance of textbooks in the US and why self-criticism among mainstream economists is so important to the future development of textbooks. Second, a number of methodological considerations are considered especially related to questions of operationalization and delimitation. Third, the results of the analysis are presented. In the last part of the article it is discussed to which extent the criticisms have been taken into account. It is conclude that most of the criticism has been overlooked and it is, henceforth, discussed what textbooks could do to respond to these criticisms. In the conclusion, we summarize main points and briefly discuss whether the financial crisis might reinvigorate the mainstream self-criticism in a long term perspective.

**WHY ARE PRINCIPLES AND MAINSTREAM SELF-CRITICISM IMPORTANT?**

The mainstream debate on economic textbooks is of interest for a number of reasons. Firstly, they are important. In USA it is estimated that more than 700.000 students are introduced to economics every year.[[2]](#endnote-3) Having finished their studies they will work on Wall Street and in other parts of the private and public sector and they will in their doings be influenced by basic economic knowledge apprehended as young to some extent. When textbooks are that important so is the debate on the content of textbooks.

Secondly, despite the existing large gap between research and textbooks (Colander 2005) the content of the latter reflects how influential economists think and it is exactly this way of thinking which has been an object of criticism during the Great Recession.

Thirdly and most importantly, self-criticism is also pivotal as a potential source of change. Changes of textbooks might in principle be triggered through three channels: Internal developments, external shocks such as a financial crisis or a combination of internal and external developments. Self-criticism is essential to how the financial crisis will be grasped and how the financial crisis will consequently influence recent and future editions of the textbook (for a very illustrative example of self-criticism, see Blinder 2010).

**PROBLEMS OF OPERATIONALIZATION, SOLUTIONS, DELIMITATIONS AND A SINGLE PROVISO**

It has been rather complex to identify the mainstream debate on textbooks – for a number of reasons. First, the debate has a tendency to be invisible. In academic books including discussions on textbooks directly or indirectly an entry such as ’textbook’ is often not being used – even when textbooks are directly discussed in the main text. One gets the impressing that textbooks are somehow the dark money-making sheep of the family better kept as a dirty little secret. Textbooks tend to get less respect than they deserve considering that they also constitute an important activity for prominent and competent economists.

 A second complicating feature has been that the most visible overall discussion is on the validness of mainstream economic theory rather than explicit discussions of textbooks. In these discussions it is often unclear whether problems of e.g. formalization are supposed to be a problem for research only or also for textbooks. In order to make the analysis operational only explicit debates on textbooks are dealt with in the analysis.

 Thirdly, a parallel debate is on how to teach in economics often involving the question of textbooks (which to choose, how to use etc.). It is troublesome to single out an independent debate on textbooks as this debate tends to ’drown’ in more general considerations on how to teach as in Shiller (2010).

Fourthly, a number of articles do actually deal explicitly with textbooks but descriptively without really evaluating the content of textbooks (e.g. Brazelton 1977, Brue 1996, Elzinga 1992, and Watts 1987) – despite the facts that at least two of these articles have rather polemic titles.

 A fifth related identification problem is articles, that might be considered critical towards textbooks but one cannot be certain. When e.g. Brazelton (1977) describes without judging a development in textbooks which some economists would consider as an unfortunate step back, does he then consider this development to be a problem or not?

 Sixth, the analysis has also been complicated by articles in which explicit criticisms are to be found but the sender is unspecified: ’It is perceived by many that it is time for economists to rediscover reality’ (Smith 2001, 8). This problem and the previous leave an interpreter in a dilemma – it should be the author not the interpreter who explicitly forwards and formulates the criticism. To avoid misinterpretation authors are only subscribed to a specific point of view when this is undoubtedly so.

 As a seventh and fundamental problem the category or concept ’mainstream economist’ is not well-defined and well-confined. It makes more sense to operate with a continuum of mainstream economists ranging from highly self-critical to those who do not (or won’t) criticize anything in textbooks (the textbooks are taken for granted). [[3]](#endnote-4) [[4]](#endnote-5) What unifies these very different economists is a fundamental acceptance of the archetypical textbook – often characterized as neoclassical.[[5]](#endnote-6) This might explain why the self-criticism presented below is either rather limited or that the authors are hesitant in drawing too radical conclusions – even when airing rather serious criticisms.

 A final and eighth problem of operationalization does also relate to problems of generalization. Could it be defended to talk about principles textbooks as a homogenous whole? The argument for upholding this abstraction is two-fold: a) The contributions cited below do also follow this procedure and b) most introductory textbooks are still strikingly similar as already argued by Stiglitz (1988).

Apart from addressing these problems of operationalization it has also been necessary to make certain delimitations to make the whole analysis operational. Focus will be on *academic* criticism articulated in scientific articles and books. This delimitation reduces the potential number of contributions significantly – it does not give much merit to mainstream economists to criticize textbooks (in contrast to heterodox economists for whom textbook-bashing is part of the game).

 Another kind of criticism is also set aside – the internal self-criticism in textbooks. American textbooks are currently under (re)construction triggered by the self-criticism of authors but also feedback from a number of reviewers and users (students and teachers) and probably also the publisher (‘you would have to take the financial crisis (more) into account in the new edition’). Focus in this article is, however, primarily on textbooks as seen from the outside rather from the inside as it is more likely that outsiders would raise essential criticisms.

 An extensive literature research has taken place using different kind of methods (among those analyzing literature lists in central articles) and different databases (e.g. econlitt and google.scholar) while the most relevant journal of all – the present – has been analyzed issue by issue in order to identify relevant discussions of textbooks.

 As the mainstream debate on textbooks is so wide ranging and often rather invisible it can by no means be claimed that we have found all relevant contributions. One could, however, argue that possible overlooked contributions would at most have led to slight modifications of the results presented below. The rationale underlying this argument is that the already identified criticisms share some common features: They are few, superficial and tend to abstain from drawing radical conclusions. This striking similarity indicates that overlooked contributions would probably share some of the same features.

As mentioned the focus is on the limited and often very brief critique of introductions to economics among mainstream economics. Limited as it is, the point is that a critique exists, and this critique is much more decisive than the far more lengthy heterodox critique. It is more likely that change will come from mainstream economists partly triggered by external shocks such as the financial crisis. It should be noted, though, that one of the results is that it has not been possible to find more than a few more recent academic mainstream critiques of textbooks. However, it is nevertheless argued at the end of the article that large parts of the older critique are still of importance and valid.

**ANALYSIS**

The critical points can be divided into three major problems being typical for standard principles of economics: Fundamental and general problems, problems related to the general development textbooks are undergoing from edition to edition, and thirdly, problems with parts of the content. For obvious reasons there will be some overlap between the different categories of criticism.

**Fundamental problems**

One can identify three different fundamental critical points raised by mainstream economists when criticizing textbooks in general. The first of these concerns the relation between the textbook and actual economic reality. Textbooks often pretend directly or indirectly to give a presentation of the world we live in. Some mainstream economists question how successful textbooks are in this effort – for at least three fundamental reasons. The first of these can divided in two:

1. According to some economists the increased degree of formalization[[6]](#endnote-7) has spilled over into the textbooks, which has tended to move them away from actual economic reality (c.f. the discussion in Smith, 2001). It is claimed that one can observe a consequent tendency to downplay or ignore economic phenomena that cannot be expressed formally:”Some economists contend that what counts as economic knowledge is only that which is in a mathematical form or is easily translatable to it” (Smith 2001, 5). [[7]](#endnote-8)
2. Partly related to this development critics claim that actual economic reality is gradually squeezed out of basic introductions. Less and less contextual and historical knowledge as well as history of economic ideas are to be found in textbooks (Shackelford 1991), while also omitting helping students in operationalizing the often very abstract concepts and theories into ‘relevant facts’ (Bell 1988, 137).

As a consequence of these developments textbooks have dire problems in ’transmitting real knowledge of the economy’ (Boulding 1988, 123) to the students.

The second fundamental critical point is the implicit notion of ’objectivity’ which manifests itself in at least two ways. The notion of objectivity tends to crowd out discussions of disagreement among economists as these are downplayed or not mentioned at all (Boskin 1988 and Stiglitz 1988, 177). Closely related to this point, one easily finds textbooks trying to be politically neutral and believing this to be possible (Shackelford 1991 and Watts 1987). Claiming objectivity and political neutrality are merely another way of getting rid of reality. In the world we live in economists disagree and politically neutrality is unattainable.

The third fundamental problem to some economists is a perceived bias towards Keynesianism: ’many Principles book authors have placed the Keynesian theory at centre stage for too long. There is something to this view’ (Maxwell 1999, 124). This is a criticism also raised by economists outside of the mainstream such as free market economists (cf. libertarians such as Buckley 1951 and Bolton and Taylor 1982), while heterodox economists would tend to notice a neoliberal bias. Such disagreements demonstrate the impossibility of being objective. In this context disagreement concerning the choice of underlying theoretical framework is regarded as a fundamental problem as it concerns disagreement on how the actual economy fundamentally works.

**Problems with the direction of development**

Mainstream textbooks are not something static – they have changed considerably since the launch of Samuelson’s famous textbook immediately after the Second World War.[[8]](#endnote-9) Samuelson’s own textbook has developed significantly from edition to edition. This development has been analyzed in at least three articles (Smith 2001, but also Brazelton 1977 and Elzinga 1992), and these analyses have led to some of the critical comments presented below. In addition a number of mainstream economists have in passing spontaneously commented upon what they perceive as a problematic development in textbooks in general.

 One problematic development according to some is the already mentioned increasing tendency to formalization. In Smith (2001) it is, however, demonstrated that this picture might be a bit more nuanced: Over time Samuelson uses fewer and fewer equations but relatively more graphical presentations.[[9]](#endnote-10) A second critical point is that the books are also perceived[[10]](#endnote-11) to become ever thicker (Maxwell 1999, 125-127, Stiglitz 1988, 173). This development could in part be ascribed to the fact that they do not eliminate out-dated material (Boskin 1988, 160).

 A third critical development is a tendency to eliminate aspects of economics seen as very relevant to some economists such as the already mentioned contextual knowledge and history of economic ideas. Fourthly, the leading textbooks tend to become more and more similar. According to Stiglitz (1988, 173) this could be ascribed to monopolistic competition within the textbook market – a market form that is supposed to promote imitation and inhibit innovation.[[11]](#endnote-12)

**Problems with content**

Criticisms of parts of the content are of a less fundamental character and have a certain overlap with some of the already mentioned criticisms. They refer to important issues they regard to be treated inadequately in textbooks or even in a few instances inconsistencies and mistakes. When criticizing content, there is a tendency to list critical points rather than to dwell on possible implications of remedying these critical points. The critical points are:

1. It is commonly known that mainstream textbooks prefer to assume perfect competition. It is one of Stiglitz’s (1988) points that this kind of competition becomes ever more irrelevant but that this fact has not been reflected in textbooks (175).
2. Textbooks might ’be one of the last places where shifts in economic method are realized’ (Hoass 1993, 223). This also links to the point raised by Colander – the gap between research and teaching.
3. Principles of economics are divided into a micro and macro section and they are unsuccessful in integrating the two (Stiglitz 1988, 175)
4. Stiglitz (1988, 172-175) views it as problematic that textbooks are so similar and demonstrate lack of innovativeness.
5. The dominant mainstream critique on content concerns the omission of what critics consider to be of importance. Some of these have already been mentioned::
	* 1. There is too little mentioning of:
			1. Technological change (Boskin 1988, 162 and Stiglitz 1988, 175).
			2. ’information and uncertainty’ (Stiglitz 1988, 176).
			3. How economists do research (in textbooks by Samuelson according to Elzinga, 1992, 876)
			4. The international dimension (a standard criticism of American textbooks raised by Bell, 1988, Boskin, 1988 and Stiglitz, 1988)
			5. Economic history (Giedeman and Lowen 2008, 58). [[12]](#endnote-13)
		2. There is a whole literature with Susan Feiner as fulcrum criticizing the low priority given to questions of race and gender in textbooks ([Cherry](http://www.springerlink.com/content/?Author=Robert+Cherry) and [Feiner](http://www.springerlink.com/content/?Author=Susan+Feiner) 1992, Feiner and Morgan 1987, Feiner and Roberts 1990, Feiner 1993, Folbre 1993 and Bartlett 1997).
		3. Textbooks have problems in handling monetary policy (Harck 2009 and Blinder 2010, 386).[[13]](#endnote-14)
		4. Recent macro principles fail ‘to give students even imperfect answers’ as to what caused the financial crisis (Blinder 2010, 385).

### WHATEVER HAPPENED TO THE MAINSTREAM CRITIQUE OF TEXTBOOKS?

It is striking that the mainstream critique seems to have almost vanished (in the literature list one can only find three articles criticizing principles texts published in the period of 2000-2010). One can imagine three explanations: a) Not much merit in criticizing textbooks. b) No perceived need for a change. Concurrently, Allan Blinder (2010) claims that ‘the basic framework… remains solid’ (390). If textbook writers generally believe that the basic framework is solid it follows that the incentive for changing the textbooks more than the usual incremental changes is less than modest. c) Textbooks have actually responded to the most important part of the criticisms and have been changed accordingly.

 The answer to the question raised in the headline is probably to be found in a combination of the three explanations. Concerning explanation c) it would be very time consuming to investigate thoroughly but I can offer some general reflections on this issue:

* According to Harck (2009) one can find advanced textbooks today giving a more correct presentation of monetary policy and Blinder is about to do it in his textbook (Blinder 2010). One can, however, already find introductory texts delivering a more satisfactory presentation of monetary policy (e.g. Burda and Wyplosz 2009 and Lipsey and Chrystal 2007).
* Some of the more recent textbooks have also dealt with some of the minor queries above such as:
	+ - Helping students operationalizing abstract concepts by operating with boxes directly confronting this issue (e.g. O’Sullivan, Sheffrin, and Perez 2010)
		- the size of the books has stagnated at around 800 pages (and additional chapters are typically posted on the internet)
		- US textbooks have generally become less Keynesian (according to and to the regret of Blinder 2010, 386)
		- future textbooks will take the financial crisis more seriously. They will probably ‘have a full chapter devoted to crises[[14]](#endnote-15) and also will likely reorganize the macroeconomics presentation to better explain the crisis’ (Colander 2010b, 383).

This implies that some of the criticisms have been taken into account but most of the fundamental criticism - too little relation to reality and false objectivity – remain valid. Even some of the smaller problems remain unresolved – partly because they are linked to these more fundamental problems. In the following we shall discuss how future editions of textbooks could be revised in order to cope with the remaining criticisms.

**What about the remainder of the criticism?**

The mainstream criticism of principles is generally not very constructive (a notable exception is Blinder, 2010) – the authors point to problems rather than dwell on solutions. However, some of the problems could relatively easily been taken into account without changing the basic framework – others would require a rethinking of what a textbooks is (which might contribute to explain why some of the criticism have been neglected).

 It would be relatively easy to make textbooks move closer to reality by responding to some of the minor critical points of these are essentially about getting closer to reality. One could reduce the degree of formalization by focusing on causalities that have been tested empirically and could be presented by boxes and arrows rather than graphs and equations. This would make the macro-part more easily understood and more related to reality. By relying more on specific instances of fiscal or monetary policy – rather than to talk about these policies in general – one would also introduce more contextual and historical knowledge while at the same time making it much easier to understand the underlying economic mechanisms and policies. Similarly, by introducing the history of economic ideas – when presenting some modern ideas – the concepts and theories become easier understandable and more related to reality. One could also rather easily as some textbooks have already done make the presentation of monetary policy more realistic.

 It would also give students a sense of reality if they were exposed to disagreements among economists all through the presentation.[[15]](#endnote-16) If would e.g. be obvious to do so when presenting the debate on the financial crisis but here textbooks tend to end up with presenting their understanding rather than diverging viewpoints as to what triggered the crisis and possible solutions. By spending more space on diverging views one could also respond to heterodox critiques for being theoretical one-sided. Colander (2010a) introduces the students to diverging views but only in the preface to students. For some reason pluralism seems to be the anti-thesis of modern economic textbooks.

 By paying less attention to perfect competition (see also Hill and Myatt, 2007) and more attention to technological change, information, and uncertainty one could also move textbooks closer to reality. This would also lead to changes of the micro part which has been largely unchanged since the 1930’ies.

 Finally, there is the more complicated question as to whether students ought to know more about how economists do research. The only textbook which has taken this challenge seriously is Colander (2010a) who devotes two brilliant chapters to this issue. Rather than spending valuable pages on this issue I would, however, suggest that textbooks should operate with a clearer distinction between how economists think about the economy and how the economy actually operates. An introduction to how economists do research might increase the feeling of lack of reality as much of the research is highly theoretical as also demonstrated by Colander (2010a).

 Some of these changes would of course require more pages and textbooks are already thick. If textbooks were to concentrate more on what we really know about how the economy actually works especially the micro part would become much shorter. Large chunks of the theories presented in textbooks are based on assumptions not being supported by empirical evidence. The litmus test for any principles text ought to be: ‘What does this tell me about real life? How can I use this theory to understand what goes on outside the window?’ It would reduce the thickness of textbooks significantly if the authors had to stick to the dictum of Keynes (1936) in insisting on only making “plausible assumptions relating to the real world” (306).

### CONCLUSION: IS A CHANGE OF PRINCIPLES POSSIBLE AND LIKELY?

The article identifies a limited but lively debate about textbooks in the academic literature among mainstream economists. A few of the economists being referred are fundamentally in disagreement with mainstream textbooks because of their perceived lack relation to the real economy, more are worried about the current development of textbooks and the major part of the critical voices does only find one or two minor issues that need to be dealt with to a greater extent.

Seen from a heterodox perspective but maybe also a mainstream perspective some of the criticisms are rather superficial and it is telling than when criticism start to bite (as in the criticisms forwarded by Stiglitz and Boulding), it is delivered by economists known to be close to heterodox thinking. Furthermore, it is a striking feature of the criticism that it mainly takes place from 1987-1993. The relatively high number of critical contributions in 1988 can be attributed to the publication of a special issue of The Journal of Economic Education on textbooks*.*

 Limited as it is parts of the critique has had some minor consequences. However, the fundamental problems and a number of the smaller problems are still pertinent to a standard principles text. It is argued that making the principles as realistic as possible is the real and unsolved challenge. A solution to this problem is a never ending process requiring the killing of quite a lot of darlings and the introduction of some new ones.

 On the basis of these considerations and due to the fact that criticism has in part been incorporated but has mainly faded away from the academic literature it should be expected that textbooks will keep on changing in a gradual and incremental manner. The analysis demonstrates an inertia which indicates that it will take more than a mega-recession to fundamentally change textbooks – to be regretted by some economists like the present author and to be applauded by others such as Blinder (2010). As a compromise one could hope for is a debate on these issues rather than the relative silence of the last decade. It is my hope that this article will contribute to a reinvigoration of the important debate on how to reform principles.

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**NOTES**

1. A number of economists actually did – partly based on economic theory - expect a crisis similar to the one we have experienced but had of course problems in predicting the actual timing of the crisis (cf. Bezemer 2009). [↑](#endnote-ref-2)
2. According to a mail dated 22.4.2010 from an author of American principles. [↑](#endnote-ref-3)
3. This limitation implies that a central heterodox work on modern textbooks (Aslanbeigui and Naples 1996) is outside the scope of analysis. [↑](#endnote-ref-4)
4. A further complication is heterodox economists publishing in mainstream journals and criticizing mainstream textbooks on mainstream premises. For this reason Hill and Myatt’s (2007) pertinent but heterodox criticism of the treatment of perfect competition in textbooks has not been included in the analysis. [↑](#endnote-ref-5)
5. Concerning the question of homogeneity of textbook writers David Colander is a very important figure for several reasons. He is one of the few remaining mainstream economists insisting on criticizing textbooks in a number of articles (e.g. Colander 2005). At the same time his textbook (Colander 2010a) is the only textbook which has explicitly tried to take into account a great deal of the criticisms presented below. Furthermore, he explicitly calls his book ‘not neoclassical’ (Colander 2010a, ix). One could, hence, be tempted to categorize him as a heterodox economist. He is, however, a borderline case for two reasons. First, he explicitly calls himself and his own textbook ‘mainstream’ (Colander 2010a, xxiii). Secondly, at least one heterodox economists regard Colander as being methodologically mainstream (e.g. Lawson 2009) while mainstream economists would probably tend to regard Colander as somewhat bit heterodox. Summing up, the main reason for not including Colander in the analysis is that this would tend to blur otherwise very clear results. This would not make sense as Colander’s book is only the twelfth most sold principles textbook (as registered by 21.4.2010. This piece of information was collected by a representative from a publisher and passed on to me by an author of a principles text). [↑](#endnote-ref-6)
6. ’Formalization is not a self-explanatory concept (Smith 2001, 2) but in accordance with Smith we understand formalization as the use of mathematical equations and graphical presentations. [↑](#endnote-ref-7)
7. Yet another example where it is difficult to tell whether Smith agrees with the implicit criticism. Formulations like these do indicate that Smith considers herself to be outside of the mainstream. [↑](#endnote-ref-8)
8. In Samuelson (1997) the birth of his book is described with interesting and surprising links to the cold war and right-wing opposition to textbooks considered to be too critical towards capitalism as an economic system. [↑](#endnote-ref-9)
9. Only apparently so. Textbooks are commodities that needs to be sold and if they are too inaccessible they might also become impossible to sell (Smith 2001, 17). [↑](#endnote-ref-10)
10. ‘Perceived’ as one can observe that the lengthe of recent editions have stagnated on around 800 pages. The change of development was already observed by xxx in 1996 Aslanbeiguii and Naples xxx. [↑](#endnote-ref-11)
11. A more systematic analysis of the apparent similarity reveals large differences between mainstream textbooks but also a number of similarities (cf. Shackelford 1991). [↑](#endnote-ref-12)
12. This criticism is formulated in a positive vain: ’a ripe area for improvement in introductory economics textbooks’. [↑](#endnote-ref-13)
13. The most important criticisms are the use of one interest rate models but also the confusing emphasis on long term interest rates when discussing monetary policy. [↑](#endnote-ref-14)
14. Colanders own textbook (2010a) was the first of the most sold principles to have one chapter on the financial crisis. Some of the most recent textbooks such as Arnold (2011) also have one chapter on the financial crisis. [↑](#endnote-ref-15)
15. This procedure would also be much more scientific. Political scientists are astonished when they are confronted with ‘the one voice only’ style of economic textbooks. In their textbooks they include widely different theories of the state, democracy etc. and this pluralism is seen as part of a complex real world. The whole idea of relying on one approach only seems narrow-minded and one-sided. [↑](#endnote-ref-16)