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A Mackinac Center Report

How Reliable Are Michigan High School Economics Textbooks?

Burton Folsom
George Leef
Dirk Mateer

Sixteen commonly used Michigan high school economics textbooks are graded for balance, accuracy, clarity, and instruction in the "economic way of thinking."

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by Burton Folsom, George Leef, and Dirk Mateer

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Executive Summary

"If a nation guarantees absolute freedom to pursue individual gain, it will ensure misery for those who are least able to succeed." –Mary H. McCarty, **Dollars and Sense: An Introduction to Economics**

"Price controls are adopted because the price system is unable to reach equilibrium on its own." –David E. O'Connor, **Economics—Free Enterprise in Action**

"The allocation of resources in capitalism is efficient because resources tend to be attracted to the most profitable firms." –Sanford D. Gordon and Alan Stafford, **Applying Economic Principles**

"The public sector can redistribute income more efficiently than the private sector." –J. Holt Wilson and J. R. Clark, **Economics**

Any economist who keeps abreast of developments in his field will find it difficult to believe that the sweeping, confused statements cited above could find their way into any economics textbook. Yet, such ignorance is typical of much that one encounters in most textbooks used by Michigan high school students.

Given the findings of this study of 16 economics textbooks used in Michigan high schools, it is highly doubtful that most of Michigan's teenagers are obtaining a basic understanding of the principles of economics from the textbooks they use in class. While a few of the textbooks did instill "an economic way of thinking" about problems, most of the texts were partly and sometimes almost completely deficient. We often found dismal understanding or outright bias on the part of the text authors.

We examined the textbooks on the basis of 12 criteria that form the basis for the sound study of economics: 1) the price system and production; 2) competition and monopoly; 3) comparative economic systems; 4) the distribution of income and poverty; 5) the role of government; 6) the role of the entrepreneur; 7) public choice; 8) taxation; 9) the business cycle; 10) wages and unions; 11) trade and tariffs; and 12) money and banking.

We graded each textbook according to these criteria. The results: Of the 16 textbooks we examined, three received A's and three others earned B's. However, three received C's, five textbooks received a D, and we handed out two F's. A concise listing of titles and their respective grades begins on page 18 of this report.

It is highly doubtful that most of Michigan's teenagers are obtaining a basic understanding of the principles of economics from the textbooks they use in class.

Several textbook authors suggested their publishers pointed them in a statist direction. "They especially want government intervention treated with favor in several chapters of the text."

Michigan students sometimes read in their textbooks that competition is dangerous and causes economic problems; that Americans are undertaxed; that government spending creates wealth; and that politicians are better at economic planning than entrepreneurs. If such notions were contrasted with other views, they might be acceptable in a textbook. But this is almost never the case.

Some authors are consistently critical of free enterprise and private property, yet present government intervention with little or no scrutiny. "As societies become more complex," one text assures us, "the need for government power tends to increase." Another author tells students: "Despite fears by some Americans that governmental tampering with the free-enterprise system would be harmful, most governmental policies have met with success." Yet a third text warns students that under a balanced budget, the government would "not be able to do things that many people think it should do, like building roads and providing for the needy. . . ." In other words, in many cases, students are not studying facts; they are digesting political opinions.

Most texts do a decent job of describing trade, the failure of communism, and the impact of entrepreneurs. However, most are deficient in three areas: competition and monopoly, the economics of taxation, and the lesson of the Great Depression.

How do discredited ideas find their way into textbooks? For one thing, many of the older authors learned their economics from the Keynesians of the 1930s, who believed strongly that government could fine tune and direct economic activity.

In response to our inquiries, however, several textbook authors suggested their publishers pointed them in a statist direction. One author, whose text received a low grade, responded: "I have in the past made suggestions to the publisher for changes along the lines of that in your review . . . the publisher wants a more liberal view presented in the text, and so that is what is in there. They especially want government intervention treated with favor in several chapters of the text."

Many of these problems will take a long time to resolve. Our concern here is to increase the level of economic understanding in Michigan high schools. We want students to be taught sound economics and the economic way of thinking.

We recommend that

- Schools that do not now offer economics to their students do so;
- Schools use one of the highly graded texts noted in this report;
- School boards in districts where economics is offered check to see what economics text they are using;
- Schools using a text that received a poor grade switch to a better learning tool. There are several good texts on the market and we recommend that Michigan high schools adopt one of the highly graded texts.

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Introduction: Misleading High School Students into the Twenty-First Century

"Economic ignorance is the breeding ground of totalitarianism."
–John Jewkes, British Economist

As we embark upon the twenty-first century, it is natural for us to gaze at our children and wonder what kind of future they will build.

A global techno/economic revolution of unprecedented proportions swirls about their heads, weaving the world into ever-more-complex configurations. Will they be able to sort the wheat from the chaff? Will they be able to find their way through the jungle of possibilities? Will they uncover the vast realms of hope and opportunity that will become available?

Or will they be swamped by the sheer multiplicity of details, miss the best opportunities, and lose their way—and their hope—for want of a clearly marked roadmap?

Unfortunately for Michigan teenagers, the latter outcome is a distinct possibility if they rely on what they learn in their economics textbooks.

As this report reveals, *it is highly doubtful that most of Michigan's high-school students are obtaining a basic understanding of the principles of economics from the textbooks they use in class*.

Indeed, despite a surging U.S. economy, economic turmoil in Southeast Asia, dynamic new technologies, an overhaul of U.S. farm and welfare policies, wild swings in exchange rates, changes in monetary policy, roller-coaster stock markets, capitalism in Russia, vast loan restructuring and bailouts, and the potential for an international financial crisis at any moment – many Michigan students are being taught no economics at all. Those who are required to take classes in economics learn—with few exceptions—from textbooks whose authors show a serious lack of understanding of the economic lessons of this century.

Yet, such an understanding is more vital today than ever before in our history. As George Reisman, professor of economics at Pepperdine University has written, without basic knowledge of the economy, our young people are like "a crowd wandering among banks of computers or other highly complex machinery, with no understanding of the functioning or maintenance or safety requirements of the equipment, and randomly pushing buttons and pulling levers. This is no exaggeration."

Many Michigan students are being taught no economics at all. Those who are required to take classes in economics learn—with few exceptions—from textbooks whose authors show a serious lack of understanding of the economic lessons of this century.

Most of the texts were partly and sometimes almost completely deficient. We often found a dismal level of understanding or outright bias on the part of the text authors.

Dr. Reisman continues: "In the absence of a knowledge of economics, our civilization is perfectly capable of destroying itself, and, in the view of some observers, is actually in the process of doing so."

Given such warnings, it is understandable that concern over what Americans know about economics is becoming widespread. As Arthur Levitt, former chairman of the New York Stock Exchange once wrote, "the American economy is the eighth wonder of the world; the ninth is the economic ignorance of the American people." And a late 1980's survey of high school students revealed that

- only 30 percent know that low income results from the lack of marketable skills;
- 48 percent think that high wages are a result of minimum wage laws, government actions or socially responsible business leaders;
- only 34 percent can identify profits as revenues minus costs; and
- 45 percent realize that government deficits result when spending exceeds revenues.

(Source: *Calvin K. Kazanjian Economics Foundation, Inc.,* ***www.kazanjian.org***)

In this study we have systematically examined sixteen economics texts used in Michigan high schools. We have graded them on the basis of twelve criteria that form the basis for the sound study of economics: 1) the price system and production; 2) competition and monopoly; 3) comparative economic systems; 4) the distribution of income and poverty; 5) the role of government; 6) the role of the entrepreneur; 7) public choice theory; 8) taxation; 9) the business cycle; 10) wages and unions; 11) trade and tariffs; and 12) money and banking. All good economics texts need to give students a basic understanding of these issues.

As we read these texts, we discovered that while some used strong evidence from recent research and instilled "an economic way of thinking" about problems, most of the texts were partly and sometimes almost completely deficient. We often found a dismal level of understanding or outright bias on the part of the text authors.

In fact, opinion is often expressed as fact. Michigan students read, for example, that competition is dangerous and causes many economic problems, that Americans are undertaxed, that government spending creates new wealth, and that politicians are better long-term planners than private entrepreneurs. Some authors are consistently critical of free enterprise and private property, yet present government intervention with little or no scrutiny. "As societies become more complex," one text assures us, "the need for government power tends to increase." Another author tells students: "Despite fears by some Americans that governmental tampering with the free-enterprise system would be harmful, most governmental policies have met with success." Yet a third text warns students that under a balanced budget, the government would "not be able to do things that many people think it should do, like building roads and providing for the needy. . . . The poor have been hurt by spending cuts." In other words, in these and many other cases, students are not studying facts or learning economics; instead they are digesting the political opinions of authors with hidden and not-so-hidden agendas.

We are not so naïve as to assume that political or ideological agendas finding their way into school textbooks is anything new. The problem is that we are living at a time when economic issues—from Social Security to the national debt—are more important than ever in shaping our nation's future. We can no longer afford to send out to the world armies of students inculcated in politically biased economics teaching. Michigan's students need to be told the unvarnished truth. Anything else is a disservice and a travesty.

Sound economics, stripped of ideological bias, teaches us that everything of value has a cost that somebody must pay. It informs us that a higher standard of living, if it is not to come at someone's expense, can only come about through greater production. It tells us that nations become wealthy not by printing money or spending it, but through capital accumulation and the creation of goods and services.

Students are not studying facts or learning economics; instead they are digesting the political opinions of authors with hidden and not-so-hidden agendas. . . . Michigan's students need to be told the unvarnished truth. Anything else is a disservice and a travesty.

Sound economics reminds us to think of the long-term effects of what we do, not just the short-term or the flash-in-the pan effects. It tells us a great deal about the critical role of incentives in shaping human behavior. In short, sound economics is a blueprint for a sound economy, which is indispensable to satisfying human wants and needs.

We have written lengthy evaluations of each of the sixteen texts and analyzed how well each met our twelve criteria of sound economics. As a shorthand device, we have summarized each evaluation with a grade for the text. The results: On the positive side, three texts received A's and three others earned B's. However, three received C's, there were five textbooks only worth a D, and we handed out two F's.

In this brief report, we have included only a short summary of each text that explains something about its contents and why it received its grade. The unabridged report, which includes the detailed reviews of the texts, is available from the Mackinac Center for Public Policy Website at **www.mackinac.org**, or by calling (517) 631-0900.

One piece of good news is that the newer texts tend to be better than the older ones. Written by younger authors, the newer texts are less wedded to Keynesian ideas that have been discredited in the last thirty years. John Maynard Keynes was a British economist of the 1930s who argued that massive government spending could promote a prosperous economy. These younger textbook authors, many of whom have seen and studied failed government policy, seem to be more open to market-based solutions to public problems.

Another piece of good news is that most texts scored well in describing trade, the failure of communism, and the impact of entrepreneurs. In describing the economics of trade, for example, most texts noted that free trade is the natural state of human action; tariffs result when special interests lobby for favors. And when tariffs pass, retaliatory tariffs often follow.

On the negative side, most of these texts are deficient in three important areas: competition and monopoly, the economics of taxation, and the lessons of the Great Depression.

For example, most texts argue that antitrust laws improve competition. But they fail to expose students to the view—increasingly prevalent among economists—that monopolies are usually the result of government protective action that makes it difficult for competitors to enter the market. The historical evidence suggests that in truly free markets, monopolies are difficult to start, harder to maintain, and tend to wither away over time.

Second, most texts fail to see the economic response to taxation as a dynamic process. Raising tax rates does not necessarily increase revenue for the government. Lowering tax rates does not necessarily reduce revenue to the government and it often stimulates investment—which increases wealth and taxable income. The tax cuts under Democratic and Republican administrations of the 1920s, 1960s, and 1980s all had the effect of stimulating private investment and sharply raising revenue for the government.

Third, the best historical and economic evidence indicates that government interference helped trigger the Great Depression—and further government intervention tended to perpetuate it. Recent scholarship, for example, suggests that the New Deal programs did not promote economic growth. They merely transferred money from taxpayers to special interests (e.g. farmers, silver miners, and veterans).

Many of the older authors learned their economics from the Keynesians of the 1930s. The idea that government could fine tune and direct economic activity was widely believed during the Great Depression. But younger economists, authors of the newer texts, have sifted through the evidence and come up with different conclusions.

How do ideas contrary to an economic way of thinking find their way into textbooks? As we mentioned earlier, many of the older authors learned their economics from the Keynesians of the 1930s. The idea that government could fine tune and direct economic activity was widely believed during the Great Depression. But younger economists, authors of the newer texts, have sifted through the evidence and come up with different conclusions.

Second, the influence of publishers sometimes leads to the production of flawed texts for the classroom. Publishers believe that arguments for government intervention sell textbooks. We asked all of the authors of texts used in this study to respond to our reviews. More than half of them responded and several of them suggested that their publishers pointed them in a statist direction. For example, one author, whose text received a low grade, responded:

> "I agree with your review of my economics textbook. In fact, I have in the past made suggestions to the publisher for changes along the lines of that in your review. The problem is that I'm not in control of what is going into the text. The publisher dictates the final result of what will be in the text. The publisher has full and complete veto power over the contents of our text. And the publisher wants a more liberal view presented in the text, and so that is what is in there. They especially want government intervention treated with favor in several chapters of the text."

Why wouldn't publishers prefer to see the strongest economic ideas presented? Why would they want to bias the results toward a certain point of view? This author clarified that issue when he said the following:

> "The publishers looked at the problem as one of satisfying constituencies, not necessarily teaching sound economics. When I made the case for a free-market approach, they were sometimes bemused. They would say that if I appreciated free markets then I should appreciate their need to reach school markets and that I should want to write a text that would appeal to many teachers even if it did not say what I thought a text should say.

> "One remarkable example of our discussion occurred when I suggested that my text ought to include a segment on school choice—the idea that parents should be allowed to use tax credits (or vouchers) to send their child to the school of their choice. The publisher responded as though I had advocated including Satanism in the text. 'Do you know what the teacher unions would do if we put that school choice stuff in there? They would boycott this text and we would never go into another edition.' I was told to absolutely avoid anything such as school choice that would upset the teacher unions.

Another textbook author confirmed the notion that at least some publishers strongly shape the contents of the text to appeal to teacher unions. "The road to the free market sometimes requires little steps," he said, "particularly when your audience consists of teachers paid by the state." "I'll use your review for the next edition," he said, "but I'll never be able to sell a text" that presents too much evidence for free enterprise.

Many of these problems will take a long time to resolve. Our concern here is to increase the level of economic understanding in Michigan high schools. We want students to be taught sound economics and the economic way of thinking.

We recommend that

- Schools that do not now offer economics to their students do so;
- Schools use one of the highly graded texts noted in this report;
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Methodology: Getting a Grip on the Problem

Our study of economics textbooks used in Michigan had many obstacles to overcome. First, there is no textbook committee or centralizing force in Michigan that mandates which textbooks should be used. This gives each school district the freedom to choose its own books. This is fine, and in keeping with Michigan's tradition of local control. But it also makes it difficult, if not impossible, to find out which schools are using which books. Bert Okma, former president of Michigan's Association of Economics Educators, said there is no research he has ever heard of that lists which high schools use which texts.

We estimated that almost half of Michigan schools taught economics. Of those, many use a "consumer economics" text that stresses such things as grocery shopping and balancing checkbooks.

Second, different schools have different attitudes with regard to teaching economics. The Mackinac Center conducted a survey in 1993 of the almost 650 high schools in Michigan. On the basis of the number of schools responding to the survey, we estimated that almost half of Michigan schools taught economics. Okma makes a similar estimate. In 1998, we asked about 50 schools that taught an economics course what text they used. Of those, many use a "consumer economics" text that stresses such things as grocery shopping and balancing checkbooks. Those skills are important, of course, but learning them is different from studying an introduction to basic economics. Of those schools that teach an introduction to economics, some do not use a text; others use texts now out of print; and still others are in transition from one text to another.

Okma predicts that more high schools in Michigan will teach economics in the future because an economics component has been added to the state proficiency test, the MEAP (Michigan Education Assessment Program) test, which high school students must take. Okma was on the state committee that put together the new economics component for high school students.

The starting point for doing a study of economics textbooks used in Michigan is the Instructional Materials Center in Ronan Hall at Central Michigan University (CMU) in Mt. Pleasant. The Instructional Materials Center, headed by Cynthia Whitaker, is the official repository for the State Department of Education's Textbook Collection. Publishers who want to have their texts used in Michigan are strongly urged to submit them to the Instructional Materials Center. Cynthia Whitaker and her staff work with the publishers to promote the CMU collection and to remind them to send their new texts.

When we went to this central repository, we discovered over 50 economics books on the shelf. Some of these books, however, were on consumer economics, not basic economics. Using the titles, authors, and publishers of only those texts on basic economics, we contacted the publishers. We discovered that many of these titles are now out of print. Several publishers, however, told us they had a new text in economics, which they intended to submit to the library at Central Michigan because they were anxious to see that new text adopted in Michigan.

For our study, then, we examined, first, those texts at the CMU library that were still in print and in use. Second, we included those new texts promoted by the publishers that appeared headed for adoption in Michigan. Before we would include a selection in our study, the book had to strongly indicate to us that its readability and content made it a likely choice for adoption at some schools. Third, in one case we included an older text that was not in the CMU library, because we heard from the author's wife (the author is deceased) and the publisher, who assured us this book was being used in Michigan.

Working with the CMU library, the publishers, and our own sample of Michigan high schools, we identified a total of sixteen texts that were in print and probably in use or soon to be in use in Michigan. There are certain to be other texts now in use that we have missed—some publishers no doubt have texts used in Michigan, but neglected to send their copies to CMU. Other schools are using texts so long out of print that the CMU library no longer carries them. We hope to update this study and would welcome reports from any Michigan high school that uses an economics text not included in this study.

On the basis of our own sample of Michigan high schools, as well as our discussions with publishers and with textbook authors, we believe that the two most widely used economics texts in Michigan are Roger Miller's *Economics: Today & Tomorrow* (which received a grade of "C" in our survey) and Junior Achievement's *Economics Study Guide* (a "B+" in the survey), which was used by 20,902 students in Michigan in 1997, according to Ann Fillmore, a Junior Achievement representative.

We identified a total of sixteen texts that were in print and probably in use or soon to be in use in Michigan.

Evaluation Criteria: Objectivity or Ideology?

Overview: The purpose of this study is to help interested school board members, administrators, teachers, and parents make better choices in the books they choose to educate students about economics. Textbooks can and do vary widely, but, to do a good job of teaching the fundamentals of economics, they must do certain things and do them well.

The role of the price system, competition, capitalism, incentives, government regulation, private property, taxation, labor unions, trade, money and banking are among the key issues that should be explored in economics textbooks. In the course of the discussion of any point, the book should teach students the *economic way of thinking*—that is, equip them with the "mental toolkit" of the economist so they will be able to do their own thinking about economic questions in the future.

For a text to receive a high rating in this report, it was not necessary for it to expound an explicitly "market-oriented" or "free market" message.

For a text to receive a high rating in this report, it was not necessary for it to expound an explicitly "market-oriented" or "free market" message. But it could not ignore the preponderance of evidence that strongly suggests that markets perform many functions well, including the production and allocation of goods and services. A text needs improvement if it avoids discussing failures of central planning, ignores successes of market economies, fails to provide the student with modern scholarship, judges market performance according to results while judging government performance according to intentions, uses class warfare rhetoric, or repeats discredited myths about economic history.

In economics, there are many settled propositions. Some examples: people seek maximum value for minimum cost; people differ in their evaluations of the same product, service or other good; changes in prices lead to changes in consumer and producer behavior; scarce goods must somehow be rationed. There are many others. A good economics text will show the student how to apply these propositions—the laws of economics—to any issue or controversy. There are many issues and controversies in economics, and a good text will analyze them by using the economic way of thinking. Good textbooks do not propound particular philosophies, but concentrate on teaching students how to think.

The following section describes the twelve criteria selected for the evaluation of high school economics textbooks. These are certainly not the only topics that an economics text should address. But if they are not handled well, the book will fail to give students the basic understanding they need.

Criterion 1: Costs and Prices—How Production is Determined

We live in a world of scarcity. There isn't enough of most things to allow people to have as much as they want. This fact is economic bedrock. From it follows the necessity of making choices in order to obtain the most satisfaction possible from our limited resources. Economics is the study of the trade-offs human beings make when they choose among scarce goods.

An economics textbook should clearly and thoroughly explain that economics is the study of human action in the face of scarcity, working through the basic concepts of cost (including opportunity cost), value, prices, incentives, trade-offs and efficiency. The student needs to understand early on that "the economy" is an interconnected web of rational decisions, and that the purpose of a course in economics is to explain why and how people make the decisions they do, and the impact those decisions have on the whole.

For example, it is essential to explain how the price system allocates resources. Even if the phrase "spontaneous order" is never used, the text must convey the meaning of this term to the student—that a free price system serves to direct people in deciding what to produce and how to produce it so as to make the most efficient use of scarce resources. The meaning and importance of profits and losses needs to be explained, as well as the concepts of equilibrium price, shortage, and surplus.

Criterion 2: Competition and Monopoly

Any economics textbook worthy of the name should explain the role of competition in promoting efficiency and spurring the search for improved products and technologies. It should also explore the implications of the absence of competition, i.e., monopoly. The student should understand how the incentives and behavior of a monopolist differ from that of a competitive firm.

A text that relies on the discredited model of "pure" or "perfect" competition—sadly, a common error in spite of decades of withering criticism of the concept—is seriously flawed. This model assumes that a competitive market is one in which information is perfect and universal and every producer is too tiny to have an impact on price. By this definition, every market will be found deficient no matter how intense the competition between rival firms. Most economists today understand that the pure or perfect competition model is a fantasy; an unfair yardstick against which to judge the real-world marketplace.

Another pitfall to avoid is reinforcing the common notion that monopolies are easy to create and maintain in a market with open entry. What history actually shows is that it is risky and costly to try to monopolize a market with unrestricted entry. This is why those who want to collude tend to use politics to stifle competition. The key to long-lasting monopoly has always been protective government action.

The question of whether the government needs to regulate competition through the Antitrust Division of the Federal Trade Commission should be critically examined, not taken for granted. The student should understand that laws and regulations aimed at *protecting* competition can be used to *protect competitors against* competition.

Criterion 3: Comparative Economic Systems

Some economies rely mainly on the market process to make economic decisions. Others rely on central economic planning. To some degree, we find central planning in every economy. And a centrally planned economy cannot avoid or escape the laws of economics. A good economics text will explain to students that free markets deliver vastly different outcomes than central planning. The reason: Government officials have different information and incentives than decision-makers in a free marketplace.

A good economics text will explain to students that free markets deliver vastly different outcomes than central planning. The reason: Government officials have different information and incentives than decision-makers in a free marketplace.

Economics texts should deal with the impact of central planning vs. free markets upon the general standard of living—income levels, quality and availability of goods and services, innovation, range of individual freedom of choice, and so on. The student needs to understand that the laws of economics remain in play no matter what the *intentions* of planning advocates may be, and usually deliver results very different from those desired.

For example, industrial policy—whereby government tries to guide and direct the economy by restricting trade and picking winners and losers through subsidies and discriminatory tax policies—is a confirmed loser. (See *MEGA Industrial Policy: An Analysis of the Proposed Michigan Economic Growth Authority*, **www.mackinac.org**.) Texts that attempt to champion Japanese industrial policy, for example, mislead the student and, in light of the collapse of Asian economies that employed such practices, are hopelessly outdated.

The subject of government welfare programs should be considered, and a good treatment will analyze not only the **benefits** ***to recipients, but also the ways these programs alter the*** **incentives** ***of recipients and taxpayers.***

Finally, in discussing comparative systems, a text should explore the problems of the former Soviet-bloc nations in making the transition from central planning to more market-based economies.

Criterion 4: The Distribution of Income and Poverty

People vary greatly in age, skills, imagination, goals, preferences, willingness to take risks, and much more. From these differences, it follows that they will also differ in what they earn. People who are very good at providing goods or services that others want to pay for will have high earnings; people who cannot or choose not to do so will have low earnings. Income inequalities should neither be praised nor condemned, but *explained.* Economic textbooks should avoid presenting data on income inequalities without including a discussion of income mobility—movement up and down the economic scale over time.

The subject of government welfare programs should be considered, and a good treatment will analyze not only the *benefits* to recipients, but also the ways these programs alter the *incentives* of recipients and taxpayers. If an economics text presents government programs as helpful and positive simply on the basis of good intentions—without taking into account the programs' actual results—that text will be found wanting.

In this report, texts are given a lower rating if they employ shopworn, class-warfare cliches that pit rich against poor and call for coercive redistribution schemes. This picture of the world has been disproved by a wealth of research, which is one of the reasons Congress and President Clinton ended the federal entitlement to welfare in 1996.

The Social Security system is very important topic in a discussion of distribution of income. A solid analysis will include prospects for the program's future, its economic impact on work, saving, capital accumulation and political action, plus suggested alternatives for reform. (See *Saving Retirement in Michigan: Responsible Alternatives to Social Security*, **www.mackinac.org**.)

Criterion 5: The Role of Government

Why and how the government intervenes in economic affairs—and the impact of such intervention—is a very important subject for any economics text. A good treatment will describe the common arguments for and against government action.

Public Goods. A public good is a product that, when it is produced, gives automatic benefits to many. National defense and interstate highways, for example, are usually considered public goods. Once they are in place, everyone can benefit from them whether or not they paid for them. But a textbook should not make the error of assuming that everything the government provides is a public good.

Externalities. The market does not function well when the actions of one person or group negatively impact others, particularly where unwanted or undeserved costs are incurred—pollution is one example. A text should explore the advantages and disadvantages of different options for dealing with externalities.

Economic Stability. The economy will not maximize prosperity if it suffers from inflation, high unemployment, or both. Whether economic instability is an inherent feature of a market economy, or is induced by government policy, is a question on which there is much expert disagreement; at the least, the student should be made aware of the debate. From there, the text should discuss the kinds of government policies contending experts recommend.

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Regulation. The question of whether government regulation benefits or harms the welfare of citizens is an important subject for any economics textbook. The pitfall to avoid is assuming that regulations a) yield results that are in line with the intentions of their framers, or b) are necessarily aimed at the public good. Regulations often are promoted (and even drawn) by those who would be regulated. It is often easier to co-opt the regulators and get them to write the rules in your favor than it is to win victory on the battlefield of a truly competitive marketplace.

Criterion 6: Public Choice

Governments are not benevolent philosopher kings. Like everyone else, the people employed in government have incentives that may incline them to pursue policies that benefit themselves, but reduce economic efficiency and lower the overall standard of living.

The study of the economics of political decision-making is known as public choice theory. To provide the student with a realistic analysis of the economic impact of government action, some discussion of public choice is essential. Whether it is done in a separate chapter, or touched upon at various points when the subject of government arises, a good text will remind the student that the interests of politicians and bureaucrats is not necessarily the same as the "public interest."

A good treatment of public choice will include an explanation of voter incentives to acquire information, special interest group legislation, "rent seeking," and the reason regulatory agencies are often "captured" by the industries they regulate.

Texts that judge the marketplace according to rigorous standards must not easily approve government intervention merely because they believe it is motivated by good intentions.

Criterion 7: The Role of the Entrepreneur

Entrepreneurs are men and women who search for and exploit new business opportunities. Because such opportunities are untried, entrepreneurs must take risks. Successful entrepreneurs direct resources into ventures that turn out to satisfy consumers, generating benefits that exceed costs.

"Who really pays this tax?" is an important question, one that also helps the student to "think like an economist."

A good economics text will explain the role of the entrepreneur in economic progress. It also will explain that entrepreneurship cannot be taken for granted. Government policies can reduce or eliminate it through taxes and regulations. The advantages and disadvantages of trade-offs between government action and entrepreneurship should be fully explored in economics texts.

Ideally, a textbook will present case studies of successful entrepreneurs to show that the pursuit of individual gain most often leads to greater benefits for consumers.

Criterion 8: Taxation

Taxation transfers resources from the private sector, where they are used in accordance with individual preferences, to the government, where they are used in accordance with political preferences. A good text will make this point clear, and proceed to discuss three important issues in the economics of taxation.

The incidence of taxation. Taxes are frequently levied on an entity that will not bear the ultimate burden of the taxes. "Who really pays this tax?" is an important question, one that also helps the student to "think like an economist."

Tax incentives and disincentives. Taxes alter the payoff for taking or not taking certain actions. Many times taxation can make activities that are profitable—and beneficial—no longer profitable. The student should learn to consider the long-term impact of tax changes after individuals and businesses have adjusted to them.

The cost of taxation. Taxes do not collect themselves. And tax avoidance costs billions of dollars each year. Economic texts should explain to students that the economic resources devoted to tax collection—as well as those devoted to tax avoidance—are substantial, and not available for other purposes.

Criterion 9: The Business Cycle

The economies of the world have gone through many cycles of prosperity and recession. Even the United States, which has had a steady increase of prosperity over two centuries, has had deep depressions between times of economic growth. A good treatment of this subject will try to explain why we have these ups and downs.

Here, some history is needed. The Great Depression and the events preceding it should be discussed, but a longer view is best, looking for common threads in earlier recessions and depressions. Economic phenomena don't "just happen" and a good text will explore the work of experts to find plausible explanations. The views of the Keynesians, the Monetarists, and the Austrians should be presented and explained in some depth.

Economics texts should never present only Keynesian economic theories regarding the business cycle. Neither should they uncritically accept Keynes' idea that spending determines national income.

Many texts have something to say about the Great Depression. Several uncritically repeat the myths that President Hoover was a *laissez faire* president, that the depression was caused by free markets, and that President Franklin Roosevelt's interventionist policies produced prosperity. These assertions have been revealed by subsequent scholarship to be little more than propaganda.

The truth is that government intervention may have caused the Depression, and almost certainly prolonged it. The 1920s and 1930s saw huge fluctuations in the nation's money supply, fostered by Federal Reserve policy. There was a huge hike in tariffs in 1930 and a doubling of income-tax rates in 1932. Massive government intervention in the economy throughout the New Deal period failed to revive the economy. Running for president in 1932, the Democratic ticket of Roosevelt/Garner assailed the Hoover administration for "leading the country down the path to socialism" and promised a 25 percent reduction in federal spending, which it never subsequently delivered. All of these factors are believed to have contributed to the disaster, and should be presented to students and contrasted with the prevailing myth. (See *Great Myths of the Great Depression*, **www.mackinac.org**.)

Economics texts should never present only Keynesian economic theories regarding the business cycle. Neither should they uncritically accept Keynes' idea that spending determines national income.

Increasingly, it is apparent that the business cycle is not a mysterious phenomenon that befalls a hapless free economy, but is instead the direct consequence of unwise and often politicized manipulations of money and credit by monetary authorities. Students should be exposed to the emerging evidence supporting this theory.

Criterion 10: Wages, Unions, and Unemployment

Wages are prices, and are subject to the same forces that affect all prices. An economics textbook should explain that supply and demand determine equilibrium prices for labor just as they do for the price of apples. Trying to repeal the laws of economics in labor markets doesn't work any better than trying to do so anywhere else. This is why increases in the minimum wage always cause unemployment among the least skilled workers—precisely those whom the increase is supposed to help.

Economics texts also should point out that in a competitive market, wages cannot long outpace the equilibrium price of worker productivity without causing serious economic disruptions. Laws that favor labor unions by permitting compulsory unionism and mandatory collective bargaining allow union employees' wages to be higher than they would be if public policy were neutral toward unions. (See *Michigan Labor Law: What Every Citizen Should Know*, **www.mackinac.org**.) A good text will discuss when and how this becomes possible, and the effects it has on other workers, consumers and investors, both in the short and long-term. The effect of uneconomical union activity on efficiency and investment also should be considered.

A good text also will describe various types of unemployment and explain why some unemployment is inevitable in a market economy. Government policies toward unemployment such as "unemployment insurance" and government job-training programs, should be discussed, with results as well as intentions in mind.

Students should be told about the role of special interest groups in seeking protective trade laws and they should be exposed to a critical appraisal of the justifications frequently given for imposing tariffs and quotas.

Criterion 11: Trade

In trying to make themselves better off, people naturally produce that which they can make efficiently. Then they trade their output for the many things they want but could not produce efficiently themselves. Because others are doing the same thing, voluntary exchanges make both buyer and seller better off. A good economics textbook will explain that production and trade are naturally driven by this "law of comparative advantage."

Government measures to tax trade through tariffs or restrict it with quotas or other prohibitions, hinder the flow of trade and divert resources from their most efficient uses. An exploration of the effects of trade restrictions on economic well being and growth is vital to the understanding of economics students.

An economics text should also explore the reasons governments enact trade restrictions. For example, students should be told about the role of special interest groups in seeking protective trade laws and they should be exposed to a critical appraisal of the justifications frequently given for imposing tariffs and quotas.

One of the enduring fallacies of trade concerns the so-called "trade deficit." In one sense, every individual has a "trade deficit" with the corner grocery store: Each of us buys more from that store than the owners buy from us. But as with all voluntary transactions, both sides benefit or they would not have chosen to trade in the first place.

In international trade, the same principle applies. If foreigners who earn dollars by selling to Americans do not buy American goods in return, they will purchase monetary instruments such as Treasury bills, invest in American stocks, bonds and real estate, or sell the dollars and buy other currencies. Sooner or later, those dollars come back as a "claim" on American goods or services. This "balance of payments"—a far more complete picture than the balance of trade in merchandise, since it looks at *all* international transactions—always balances by definition. An economics text that bemoans the balance of trade while ignoring the balance of payments is deficient in this important area.

Criterion 12: Money and Banking

Money facilitates trade. If we have a generally accepted medium of payment, we avoid having to barter our goods. Money, therefore, is a natural market phenomenon resulting from man's search for maximum gain at minimum cost. Banking is also a market phenomenon. People use financial intermediaries to safeguard funds and more efficiently make loans. An economics text should clearly explain the role of money and financial institutions, including the meaning and function of "interest."

Government activity in the monetary and banking systems must be addressed, including

- fiat money (paper dollars) versus commodity-backed money (gold and silver);
- the Federal Reserve System and how it regulates the monetary system;
- inflation;
- deposit insurance; and
- government allocation of credit.

A discussion of the 1980s savings and loan bailout ought to be included, explaining the background of this crisis in some detail. In 1980, the federal government raised the amount of deposits it would insure from $40,000 to $100,000 and granted S & L officials greater freedom to make a variety of investments. At the same time, it continued the harmful policy of charging well-managed institutions the same insurance premiums that it charged poorly managed ones. This was a prescription for disaster. An economics text that explains the S & L crisis as purely the fault of the marketplace needs to examine the facts in a more balanced manner.

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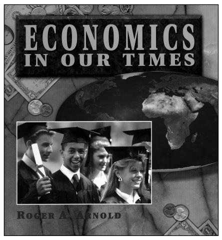
The Evaluations: What's Right and What's Wrong with Michigan High School Economics Textbooks



Economics in Our Times
by Roger A. Arnold
St. Paul: West Publishing Co., 1995
539 pp.

Rating: A-

The focus of Arnold's book is clear—teaching students to "think like an economist," and it succeeds very well in that task. The book's treatment of supply, demand, and the price system is excellent. Arnold capably explains the dynamics of the free market and the crucial point that prices serve as the means for allocating scarce goods and resources. A point that the author makes strongly is that monopolies rarely thrive in the absence of governmental protection against new entrants. The book is exceptionally good at explaining the inherent inefficiency in central economic planning that arises from the absence of a price system and profit motive. Arnold tells the reader that an entrepreneur is someone who has a special talent for searching out and taking advantage of new business opportunities and developing new products and ways of doing things. He explains further that the entrepreneur is interested in his own gain, but if he is to be successful, he has to please large numbers of people. The only major disappointment is that in most chapters, the book wastes space on merely descriptive material that could instead have been used for more wide-ranging and thorough economic analysis.

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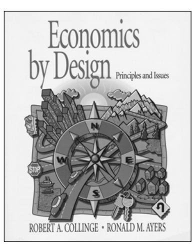
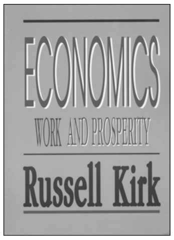


Economics by Design
by Robert A. Collinge and Ronald M. Ayers
Upper Saddle River, N. J.: Prentice Hall, 1997
606 pp.

Rating: A-

This book is an excellent teaching tool. On almost every page, it illustrates the economic way of thinking and trains students to look below the surface to perceive economic effects they would otherwise miss. The authors show that economics is not just about production and trade, but extends to all purposeful human action. For example, they even discuss the economics of crime and explain the phenomenon of black markets and their role as a safety valve when the government suppresses the activity of the market. The authors show that the choice between "the chaos of the market" and "the rationality of central planning" (as it is so often phrased) is a false choice. For example, they cite the Nigerian government's foolish purchase of far more cement than could be unloaded at port, which eventually hardened in the holds of ships. The writing is engaging and clear. The only drawback to the book is that it is aimed at advanced high school students or college students.



Economics: Work and Prosperity
by Russell Kirk
Pensacola: Pensacola Christian College, 1989
398 pp.

Rating: A-/B

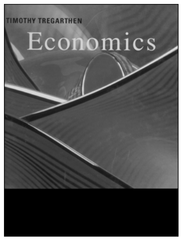
The late Russell Kirk was a historian, not an economist, but this book is an excellent introduction to the principles of economics. It is readable and short, and it gives students a clear grasp of prices, costs, and the roles of entrepreneurs and governments. The book is especially useful for its many illustrations of economic ideas from history and literature. Kirk is a storyteller and high school students will appreciate learning economics through stories rather than graphs. Kirk lists the strengths of market economies and emphasizes the creative results that occur when millions of people compete to provide the best and cheapest goods and services for others. He characterizes the command economy, on the other hand, as having inherent inefficiencies that result when people are not free to own property and accumulate wealth. He uses Alexander Solzhenitsyn's experiences recorded in *The Gulag Archipelago* to show the problems with bureaucracies, black markets, and lack of consumer support in Russia's command economy of the 1950s. Kirk's book has not been revised since its release in 1989. The mixed rating of A-/B reflects the need for updating the book to include the fall of communism and other developments of the 1990s.

Kirk emphasizes the creative results that occur when millions of people compete to provide the best and cheapest goods and services for others.

Junior Achievement: Economics Student Text
Colorado Springs: Junior Achievement, 1996
211 pages.

Rating: B+

The Junior Achievement (JA) text is a generally excellent introduction to economics for high school students. JA chooses good examples of economics in action that will appeal to students and show clearly how different economic principles operate. It is very strong on entrepreneurship and classifies entrepreneurs—along with private property, the price system, and competition—as being "essential to the success of any market economy." The text is sprinkled with examples of entrepreneurs and how their inventions have changed markets and consumer tastes. The chapter entitled "A World of Exchange" is an excellent and balanced introduction to the subject of trade. A student will also see that a tax on corporations often translates to higher prices for consumers. The student will also learn about progressive taxes, flat taxes, and regressive taxes in this book. However, the Junior Achievement text does not have a section on the distribution of income, and is weak on issues such as monopoly laws and the role of government.

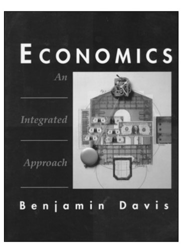


Economics
by Timothy Tregarthen
New York: Worth Publishers, 1996
859 pp.

Rating: B+

Davis seldom tries to smuggle in normative conclusions under the guise of positive economics, but he is not entirely free of that vice.

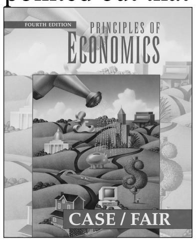
Tregarthen's book is mainly a college textbook. In high schools, it should be assigned to honor students; for other high school students the instructor will need to eliminate a lot of material. Otherwise, it is solid; students who master this book are well on their way in the study of economics. The author discusses issues in a way that compels the student to consider opportunity costs, unintended consequences, incentive changes, and so forth. For example, when discussing shifts in the level of income inequality, Tregarthen writes, "While some people conclude that this increase in inequality suggests that the latter period was unfair, others want to know why the distribution changed." This is precisely the way an economist should approach questions—seeking explanations rather than dispensing judgments. Another good example: The extreme pollution problems of much of eastern Europe and Russia are laid at the foot of Marx's labor theory of value. "Since natural resources aren't produced by labor, the value assigned to them was zero," Tregarthen observes. "Soviet plant managers thus had no incentive to limit their exploitation of environmental resources, and terrible environmental tragedies were common." However, other things are missing. For example, the very important observation that discrimination tends to impose costs on firms that practice it—and that it creates opportunities for those that don't – is missing. The treatment of entrepreneurship in the book is disappointingly slight. He gives no profiles of successful entrepreneurs.



Economics: An Integrated Approach
by Benjamin Davis
Upper Saddle River, N. J.: Prentice Hall, 1997
329 pp.

Rating: B-

This textbook is for the most part good at teaching students how to think economically. The author concentrates on substance and the writing is engaging and often witty. But the coverage of the main topics is uneven—sometimes enlightening, but in other places very shallow. His explanations of the laws of supply and demand, equilibrium prices, shortages and surpluses and other fundamental concepts are very clear. His discussion of the impact of price controls—using agricultural price supports and rent controls as examples—put to work the student's ability to think economically, and simultaneously demonstrate that good intentions can still yield bad results. Davis seldom tries to smuggle in normative conclusions under the guise of positive economics, but he is not entirely free of that vice. One example: He repeats the oft-quoted statistic that women earn only 70 percent as much as men do for equal work as proof of discrimination despite persuasive evidence that these differences are due to different family roles. Thomas Sowell and other economists have long pointed out that statistical differences do not constitute proof of discrimination.

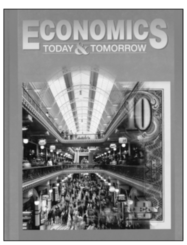


Principles of Economics
by Karl Case and Ray Fair
Upper Saddle River, N. J.: Prentice Hall, 1996
Fourth edition
1014 pp.

Rating: C+

This book develops the student's ability to employ economic thinking, but is not balanced on disputed policy issues. Entrepreneurship is almost ignored in the book. It is defined and briefly discussed on one page, but hardly ever comes up again. There are no features on successful entrepreneurs and no discussion on the link between risk and reward. The book is weak is on the costs of tax enforcement, compliance, and the opportunity costs of transferring resources from the private to the public sector. On the business cycle, it uncritically recites Keynesianism even though economists have debated for decades whether government spending really "stimulates" the economy. In addition, Case and Fair have written their book with a heavy emphasis on mathematics, resulting in a book not very accessible to high school students.

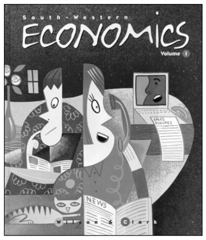
Miller does not explore the inherent drawbacks of central planning—the problems of quality, indifference to consumer preferences, and especially the impossibility of rational allocation of resources in the absence of a price system.



Economics Today & Tomorrow
by Roger LeRoy Miller
New York: Glencoe, 1995
Third edition
626 pp.

Rating: C

Miller spends too much time on "how to" instruction such as how to shop for clothing, how to buy or rent housing, and so on. While there's nothing wrong with giving students this information, it's not economics, it's personal finance. Miller's book turns into a hodge-podge of personal finance and economic theory, in which the latter plays second fiddle. The book's discussion of scarcity, resources, and cost is very good. The key concept of opportunity cost is brought out very well. So are private property, competition, and the profit motive. The book's superficiality manifests itself early, however. For example, the differences between capitalism and command and control economic systems is correctly explained, but without much depth. Miller correctly observes that "all economies are planned in one way or another," but does not explore the inherent drawbacks of central planning—the problems of quality, indifference to consumer preferences, and especially the impossibility of rational allocation of resources in the absence of a price system. The book doesn't do nearly enough to help the student develop the "mental toolkit" of the economist.



Economics
by J. Holton Wilson and J.R. Clark
Cincinnati: South-Western Educational Publishing, 1997
748 pp.

Rating: C

The chief drawback of this book is that it gives too much space to description and too little to analysis to show students how economists think. For example, the book includes biographies on people as diverse as Alan Greenspan, Arnold Schwarzenegger and Donna Shalala. Interesting as these may be, the information does nothing to help the student develop the ability to think like an economist. While the book often gives the student “both sides” where there is minor disagreement on issues, on some major issues, balance is missing. For example, the authors state that “the public sector can redistribute income more efficiently than the private sector.” One would be hard pressed to come up with a more disputed notion among economists—yet the statement is stated as truth in this textbook for students. Government redistribution programs are riddled with unintended consequences—and students ought to think about results more than intentions.

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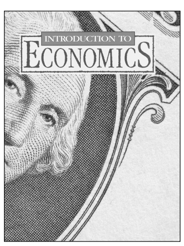
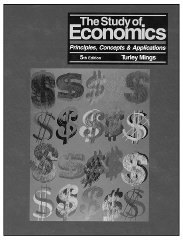


Introduction to Economics
by Henry F. Billings
St. Paul: EMC Publishing, 1991
432 pp.

Rating: D+

Billings inculcates in students the unchallenged assumption that massive government intervention is needed to make an economy run smoothly. In fact, he argues that without government intervention, wild swings will occur in economic development. He adopts the outdated and discredited Keynesian prescriptions developed in the 1930s and 1940s, and avoids recent research on the unintended consequences of government action. Billings argues that the average worker is much better off today than 100 years ago, in part, because of reforms brought about by the influence of socialism. Sweden is used as an example of socialism at its best. Yet, any economist acquainted with Sweden’s economic malaise and today’s overwhelming consensus that the Swedish socialist model has failed would find Billings’s presentation very weak.

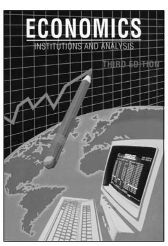


The Study of Economics: Principles, Concepts & Applications
by Turley Mings
Guilford, Conn.: Dushkin Publishing Group, 1995
Fifth edition
526 pp.

Rating: D+

The fifth edition of *The Study of Economics* introduces economic concepts through examples from current issues, such as the fall of communism, the information superhighway, NAFTA, deforestation, and health-care reform. But while its examples are up to date, its research is not. Mings fails to incorporate much economic research of the last two decades on monopoly, taxation, regulatory agencies, and business cycles. Students come away with a benign view of government and a perception that market failure is rampant. Mings's examples are often those used by Keynesians in the 1940s, not those used by most economists today. The text ignores the problems of government regulation and the adverse effects it has on economic growth and entrepreneurial activity. Mings's analysis of poverty is very weak. He fails to include recent research in public choice theory, and scarcely a paragraph is devoted to a discussion of the entrepreneur. While his treatment of topics such as wages, labor, and trade are generally good, his overall treatment of economics is misleading.

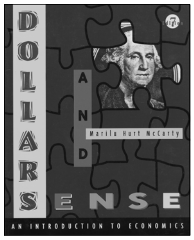
On many controversial policy issues, the authors stop being even-handed and provide their own conclusions as unchallenged truth.



Economics: Institutions and Analysis
by Gerson Antell and Walter Harris
New York: Amsco School Publications, 1997
Third edition
649 pp.

Rating: D

This book is clearly written and does well with the basics. Unfortunately, on many controversial policy issues, the authors stop being even-handed and provide their own conclusions as unchallenged truth. For example, the economics of competition and monopoly is a hotly debated field, but one would scarcely know it from this book. The authors seem confused and unaware how history affects their arguments. Both the premise that labor market discrimination is "a major cause of poverty" and the conclusion that affirmative action is the solution are highly contested points in economics literature. But the student hears only one side of the issue. Perhaps the worst of all the major sections of the book is its treatment of the business cycle. The students are presented with the discredited Keynesian view with almost no hint of skepticism. They never learn any of the devastating criticism to which it has been subjected for more than fifty years.

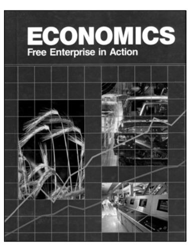


Dollars and Sense: An Introduction to Economics
by Marilu Hurt McCarty
New York: Harper Collins, 1994
Seventh edition
372 pp.

Rating: D

Too often, this book labors to inculcate government solutions rather than instruct the student in the economic way of thinking. The author fails to give the student a true understanding of the market's ability to coordinate economic activity. Moreover, she accepts the outdated idea that if the free market is to work, "there must be perfect competition in the marketplace." That idea was popular fifty years ago, but few economists accept it today. On the subject of poverty, McCarty seeks to pin the blame on discrimination, a theory many economists reject. But instead of a penetrating analysis of the economics of discrimination, the student gets only a blanket conclusion of doubtful accuracy. McCarty presents Keynesian theory in much detail, with no critical analysis, giving no alternative explanations for the business cycle. The book leaves the student with the belief that market economies are inherently unstable and that government must solve that problem in some way. Students never learn that many economists regard this conclusion as erroneous. Not only does McCarty fail to teach economic analysis, she propounds as unchallenged truth ideas that have been vigorously attacked for decades.

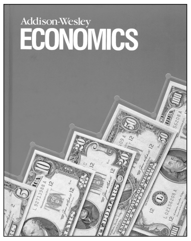
O'Connor shamelessly misleads students with the assertion that "Price controls are adopted because the price system is unable to reach equilibrium on its own," a statement that would embarrass today's most orthodox statist economic planner.



Economics—Free Enterprise in Action
by David E. O'Connor
Orlando: Harcourt, Brace, Jovanovich), 1988
594 pp.

Rating: D

This book is very weak in training the student how to think like an economist. The author rarely works through economic issues in ways that get the student to think about results rather than intentions, to weigh all costs and benefits, to consider changes in incentives and other secondary consequences. The book often contradicts its subtitle, "Free Enterprise in Action." For example, O'Connor shamelessly misleads students with the assertion that "Price controls are adopted because the price system is unable to reach equilibrium on its own," a statement that would embarrass today's most orthodox statist economic planner. Markets tend toward equilibrium by definition; equilibrium is lost when government interferes with the market on behalf of people who don't like the market's results. The book's section on taxation is all description and no analysis. The discussion of supply-side theory is misleading. Keynesian theory on the business cycle is recited, yet its most serious drawback in the minds of many economists—that government spending and borrowing merely crowd out private spending and borrowing—never appears. And O'Connor makes central economic planning seem entirely beneficial and non-controversial.

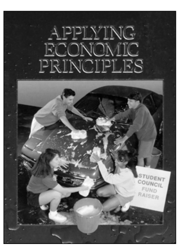


Economics
by Richard M. Hodgetts and Terry L. Smart
Reading, Mass.: Addison-Wesley, 1993
548 pp.

Rating: F

This book utterly fails to help develop the student's ability to think like an economist. Too much of the material is descriptive, not analytical. The student is simply told about many things without being shown how economists apply their method of analysis to understand costs and benefits. Moreover, the book leaves many doubtful if not clearly mistaken impressions by giving only one view of important policy issues. For example, the authors describe several government programs that are intended to alleviate poverty, but they fail to analyze them for their actual effects. Social Security has well-known perverse economic effects on rich and poor alike, but these are not mentioned. The text also repeats the mistaken notion that the employer pays half of the Social Security tax. Other programs—public assistance, unemployment insurance, job training—are treated the same way: description, but no analysis. Students are led to believe that if a program has good intentions, that is enough; it doesn't matter whether they generate poor or counterproductive results.

The student reads that Lenin's Soviet economic system "worked reasonably well," even though the almost comical inefficiency of the Soviet economy has been exhaustively documented.



Applying Economic Principles
by Sanford D. Gordon and Alan Stafford
New York: Glencoe, 1994
480 pp.

Rating: F

This is a visually attractive book that teaches little about economics. It devotes so much space to photos, "personal narratives," and current issue "boxes" that what is left is a very threadbare treatment of economic principles. Consider this example of circular reasoning: "The allocation of resources in capitalism is efficient because resources tend to be attracted to the most profitable firms." Unfortunately, the authors never explain the process by which the price system channels resources away from the production of goods that don't pass the test of the market. At most important points, the authors provide the student with nothing but government solutions to policy issues. Its conclusions have sometimes been outdated for over two generations (Keynes' theories), and in one case for over two centuries (mercantilist trade restrictions). In another case, the student reads that Lenin's Soviet economic system "worked reasonably well," even though the almost comical inefficiency of the Soviet economy has been exhaustively documented. Here again, dubious conclusions take the place of serious analysis. The book utterly fails to teach the student how to think like an economist.

Report Card: How Well Do Michigan High School Textbooks Present Economics?

Following is a summary list of the 16 Michigan high school economics textbooks reviewed in this study along with the authors' names and grades received:

Michigan High School Economics Textbook Report Card

Textbook Title	Author(s)	Grade
Economics in Our Time	Roger A. Arnold	A
Economics by Design	Robert A. Collinge and Ronald M. Ayers	A-
Economics: Work and Prosperity	Russell Kirk	A-/B
Economics Student Text	Junior Achievement	B+
Economics	Timothy Tregarthen	B+
Economics: An Integrated Approach	Benjamin Davis	B-
Principles of Economics	Karl Case and Ray Fair	C+
Economics: Today and Tomorrow	Roger LeRoy Miller	C
Economics	J. Holt Wilson and J. R. Clark	C
Introduction to Economics	Henry F. Billings	D+
The Study of Economics	Turley Mings	D+
Economics: Institutions and Analysis	Gerson Antell and Walter Harris	D
Dollars and Sense	Marilu Hurt McCarty	D
Economics—Free Enterprise in Action	David E. O'Connor	D
Economics	Richard M. Hodgetts and Terry L. Smart	F
Applying Economic Principles	Sanford D. Gordon and Alan Stafford	F

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