Caveat Lector: Living With the 15% Rule

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In my discussions of principles of economics texts, I often refer to the15% rule, a rule of thumb dealing with the question of how much a major principles text can deviate from the "standard" principles text. The rule is: Although a new book or a new edition of an existing book has some leeway in the presentation of material, it cannot differ from the standard presentation by more that 15% and still be seen as a mainstream book.[1] The reason behind this 15% rule is easily discernible. Changes greater than 15% require professors to change their notes and presentations by more than the large majority of professors are willing to do. Thus, there is little demand for a book that violates this rule.

The 15% rule is an invisible rule in the sense that no one directly enforces it. Authors are free to write what they want, and, in fact, in the initial contract signing discussions, potential authors are generally encouraged by publishers to develop their different ideas, and to differentiate their texts from the existing texts. Were it otherwise, many authors would never have agreed to write the book to begin with. But, as is often the case, these high hopes for change are often dashed by the reality of the market. By that I mean that the process through which a book is developed, and through which the author's ideas are translated into the published text, usually eliminates many of the grand hopes of the author, leaving the author with a decision of whether to continue with less grandiose hopes, or whether to give up the project.

Generally, if an author does not agree to change, he or she will find that the book is classified as a niche book, and the book will receive little marketing support from the publisher, or the book is never published.[2] Numerous famous economists have signed on to do a principles book that has never been published.[3]

There are actually two processes through which a book is brought into line with the "standard" presentation. One is the reviewing process that all textbook publishers use to guide the author and the publisher. A new economics text will have sixty or more reviewers, who, to a large degree, are front-line teachers, already using books with which the new author's book is seen as competitive. They are not specialists in the field who can say whether the material being presented is an acceptable pedagogical simplification of the advanced story the profession is trying to tell, but instead they are economists whose primary focus is on teaching and whose conception of what economics is is very much intertwined with the current texts. Many have only a slight acquaintance with new developments in the field, and thus little of the reviewing

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[1] There are, of course, exceptions, but any exception must reflect changes that are occurring in graduate school, and must be accompanied by a major marketing campaign. Greg Mankiw's introductory book is the best example of an exception to this rule.

[2] The degree to which authors are subjected to meeting this reviewing process depends on the author; the general rule is: the better known the author the less he or she is made to adjust to this reviewing process.

[3] One need not feel too bad for them; usually, assuming they deliver a manuscript, they are not required to return the advance, even though often contractually they are required to do so if they do not submit an "acceptable" manuscript.

process concerns how well the text is conveying new developments. Any book that makes it to publication must gain general acceptance from these reviewers and have a core subgroup of reviewers who strongly favor the changes being made in the book.[4]

Later editions of texts still face this reviewing process, but are more likely to be guided by the market test in which "reviews" are the changes in sales between the last edition and the current edition. If sales are up, the reviews are positive. This market test generally leads to a corollary to the 15% rule, which can be called the *textbook convergence rule*. This corollary states that as a textbook moves from edition to edition, it will deviate less and less from the standard. The reasons for this corollary are that (1) the standard changes as successful innovations are copied by the other books and become the new standard, or (2) if the standard does not change, the book will change to the existing standard; if it does not change it will become a niche book.

The 15% rule does not mean that textbooks as a whole do not evolve; they do. Although professors do not like significant change, they do like to feel that what they are teaching is keeping up with the developments in the field. They want a book that is both easy to teach and that keeps up with the developments in the field. Of course, these two criteria often work against each other, leading to a tendency of the texts to emphasize superficial changes occurring in the profession--the fads--while avoiding the more substantive changes that raise deeper questions about the underlying model being presented. For example, the Keynesian AE/AP model has remained in many texts long after Keynesian economics has essentially disappeared from graduate training. What the 15% rule means is that an author who hopes to introduce change, and who also hopes to remain a player in the textbook market, has to choose his battles carefully, often retreating on an attempted deviation either in the prepublication stage, or in the revision stage as the book goes through various editions.

Let me now give examples of how I, in my principles text, (Colander 2004) live with the 15% rule, and of how my hopes of what I could do in my text have evolved. First, I briefly discuss some general changes that I had hoped to make, but which never got past the reviewing stage. Second, I discuss a specific change that made it through the initial reviewing stage, but that I have backed away from in later editions while still maintaining a slightly different presentation than is found in the standard. Third, I discuss a specific change that I am currently trying out under the 15% rule, and which I don't know whether or not it will survive the market test.

Changes Not Made

Before I wrote my text I was not told about the 15% rule. I entered into textbook writing with grand ambitions of changing the way the texts presented economics, only to discover that change is much more difficult to introduce than I had imagined. Thus, I have numerous examples of changes that I hoped to make, but which were never made, or which were significantly reduced in the reviewing process.

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[4] The changes I have introduced in my principles of economics book would not have been made were it not for subgroup of anonymous reviewers who strongly advocated the changes I was making.

My initial vision for my book was of a book that focused much more on the history the development of economic thought, institutions, and development of institutions than did the 'standard" book. My initial manuscript had a strong historical and institutional focus; the manuscript that emerged from the reviewing process had about 2/3rds of the initial discussion removed. As the book has gone through additional editions (I am now working on the 6th edition), the elimination process has continued, although at a much slower pace. There is still more discussion of history of ideas and institutions in my book than in the "standard" book, but now it is a much smaller difference than I had initially hoped for. I have converged toward the standard. Why have I converged? Because the large majority of reviewers have clearly stated that that they don't want that discussion in the text. Unfortunately, with less and less economic history and history of economic thought being taught in graduate school, this trend will likely continue, since professors like to teach what they have been taught in graduate school.

Another change that I had hoped to make when I started writing was in the presentation of costs and pricing decisions of firms. I had originally hoped to change the standard model of the firm from a "short-run first" presentation to a "long-run first" presentation. Specifically, I wanted to focus initially on the long-run pricing and production decision, and then to move on to the treatment of short-run issues as an adjustment issue. Such a change was consistent with my institutional focus. I thought that if the change was made, it could alter the focus of price-setting discussions to a much more classical position in which the primary focus is on a model where costs determine price. Demand issues, involving short run fluctuations around that price, would be presented as a side theme. This change never made it through the initial reviewing process, and was completely abandoned by the third round of manuscript reviews, (out of a total of five reviewing rounds--and more for some chapters--before publication). Reviews improved enormously after I switched to the standard presentation of costs. Even though my earlier work was on cost theory, in many reviews of the manuscript reviewers questioned my understanding of costs because I wasn't presenting the issue in a standard way. After I reverted to the standard, by following a composite presentation found in the other books, reviewers thought my presentation was extraordinarily strong.[5]

A third change that I have not made is a significant integration into the text of the implications of the ongoing complexity revolution. In my research on the profession, and on how best to understand the economy, I have become convinced that the economy is best understood as a complex system. My research is focused on considering the implications for economic policy of taking seriously the complexity of the economy. This change would shift the focus of analysis from the analysis of idealized agents--*economics as the study of infinitely bright agents in information-rich environments*--to the study of realistic agents—*economics as the study of reasonably bright individuals in information-poor environments.*

Ultimately such a change would involve a major change in the way economics is presented to students—it would switch the presentation to a more inductive approach, with the deductive models that are central to economics now playing a much smaller role. It would also

[5] I also am the author of a social science text that covers all the social sciences and which is not in its 11th edition (Hunt and Colander 2002). With this social science book the reviews are generally more positive on my discussions of the social sciences where I am not a specialist, and have used texts in the various social sciences as the basis of the presentation, than they are of my discussions of economics, where I do consider myself a specialist.

lead to much more nuanced policy views, which I have characterized as "muddling through." (Brock and Colander, forthcoming-a,b, Colander forthcoming). Despite my interest in this area, in my text I make no attempt to switch from the standard presentation to what might be called a complexity presentation.[6] Instead, I attempt to integrate the insights from my considerations of complexity in much smaller doses in my text presentations, leaving the text more complexity-friendly than other texts, but far from a presentation of the economics from a complexity viewpoint.

Changing The AS/AD Model: NOT

Let me now turn to a consideration of a specific issue that made it through the initial reviewing process, but that has been significantly reduced in later editions. My treatment of this issue continues to differentiate my text from the competition, and hence is a change on which I am spending some of my 15% flexibility. That issue is how the macro model is presented. I've never been a fan of aggregate demand/aggregate supply analysis. If I had my way, I would eliminate it from the texts. The reason is simple: as an economist trained in a Marshallian tradition, in my view, supply/demand analysis belongs in partial equilibrium considerations, not in considerations of the aggregate economy. In the aggregate the variables we talk about are so intertwined that we cannot assume "everything else constant." That said, even in my wildest dreams, I never felt that I would be able to eliminate the AS/AD model from the texts; it was too ubiquitous. So my initial approach was to spell out in my text what the complete analytics of the AS/AD model were. I felt that a full presentation of the analytics would make it impossible for students to think of AS/AD as supply demand analysis with a big P and a big Q. It would bring home to students the sense that AS/AD is a reduced form relationship that follows from a much more complicated analysis.

My first edition was distinctive in its AS/AD presentation. It presented the analytic foundations of the model in a consistent way that allowed students to see the relationship between the Keynesian AE/AP model and the AS/AD model. To accomplish that I distinguished an aggregate equilibrium demand curve from an aggregate demand curve, and showed the relationship among the assumptions in both models. Getting these changes through the reviewing process was difficult, but I did it.

My book was a success, not because of my presentation of the macro model but in spite of it (as the publishers had argued would be the case in the reviewing stage). The reason wasn't that my presentation was wrong; that wasn't the issue. The issue was whether the market wanted the presentation changed. I got the change through the initial reviewing process because I browbeat reviewers into admitting that my presentation was more logical and rigorous than the competition's, and because I told my publisher that the book would not come out unless that model was presented the way I wanted it presented.

Why did I hold out? Because I believed it was an important pedagogical innovation that would catch on as soon as people saw the underlying logic of my alternative presentation. In my dreams my model would become the new standard. I was wrong. Strike one against my dream was that very few professors were willing to study carefully the model I presented and try to

[6] For a discussion of the issues involved see Colander, ed. (2000).

decide whether or not it was a better way of presenting the material. That's not the way textbooks are chosen.[7] Eventually that problem of getting professors to consider it might have been overcome, but my model had another strike against it: an increasing number of professors were not interested in teaching the AE/AP model, and hence were not interested in whether the AS/AD presentation was consistent with the AE/AP presentation. The third strike against my presentation was that a number of those who did present both models felt that the class should focus on policy discussion, not on models, and thus were unwilling to spend the time to teach the analytics of both models to students. Put succinctly, the change violated the 15% rule.

I am stubborn, but I am not beyond learning. With each successive edition, my presentation of AS/AD has evolved and become nearer the standard. I stopped distinguishing between the aggregate equilibrium curve and the aggregate demand curve, and simply defined the aggregate equilibrium demand curve as the aggregate demand curve, as the other books do. I also significantly reduced the analytic specifications of the model—assigning the remaining analytics to appendices where they could be avoided. Now, the only difference between my presentation of the AD curve and the standard presentation is that I explicitly name the multiplier as a determinant of the slope of the AD curve, and as a factor that increases the size of autonomous shifts in aggregate demand, and the standard books do not, although the standard presentation draws the AD curve in a way that the multiplier must be playing the explicit role I have in my book. They simply don't mention it.

The publishers have pushed me to remove even that small difference, but I have refused, since I still believe the explicit inclusion of the multiplier is needed to give students a clue about the underlying derivation of the AS/AD model, and how monetary and fiscal policy can have effects that are larger than the actual change in spending. In my view, not to point out the role of the multiplier is to invite students to think of the AD curve as a big partial equilibrium demand curve, and that I will not do.

Has my fight made a difference in the standard? The answer is yes, but the difference is very slight. All books are now careful to state that the AD curve is not equivalent to a partial equilibrium demand curve, and all books that present the AE/AP model generally relate the AE/AP model to the AS/AD model in the fashion that I believe originated with my book.[8] But the fact that the standard books are not explicitly discussing the multiplier in their presentation of the slope and shifting of the AD curve means that my success has been limited.

My inclusion of the multiplier as a determinant of the slope of the AD curve can stay in my text, because it falls under the 15% rule. In some of my broader writing on pedagogy (Colander 1995, 1999; Colander and Sephton, 1998) I continue to attempt to get the profession to change, but unless something happens in the economy where multiplier effects need to be raised pedagogically more than they currently are, I have little hope that my exposition will change the standard. My inclusion of the multiplier as one of the determinants of the slope of the AD curve is seen as an acceptable Colander quirk, rather than the logically correct exposition that professors will demand as part of the standard.

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[7] My publishers tell me that most professors flip through a text and come to a quick decision based on that quick perusal.

[8] At least I hadn't seen it in any other books when I wrote my book.

Failures of Market Outcomes: MAYBE

A second specific issue on which I am currently spending some of my 15% flexibility involves the policy framework we provide students in microeconomics. The current standard is what might be called the "market failure" standard. Using that standard we teach students that government should consider intervening in those cases where there is a market failure due to an externality or some restriction on trading.[9] In my text I am trying to include "failures of market outcomes" as an alternative reason for government intervention to supplement the standard market failure justification. By failure of market outcome I mean a case in which the market is doing everything it is supposed to be doing, but society is still unhappy with the result.

I am pushing for this change because I believe that by not explicitly addressing failures of market outcomes economists open themselves up to the complaint that we are unfairly advocating market solutions by not addressing issues where markets do not solve society's problems in a way that is acceptable to most people.

Including failures of market outcomes as a reason for government intervention allows one to include (1) the interplay of moral issues and efficiency; (2) questions of consumer sovereignty; and (3) questions of the interrelation between measures of efficiency and income distribution, which raise technical issues about drawing policy implications from our standard allocation theory in the discussion of policy. Each of these raises important questions about applying economic reasoning to policy issues that are usually in the standard economics textbook.

As I have argued in Colander (2003), if we don't deal with such issues, we fail two different types of students. First, we lose the interest of the thoughtful students who recognize these issues and want some guidance in how they can be integrated into their policy thinking; these thoughtful students drop out of economics and go into ecology, philosophy, or sociology. Second, we make our less thoughtful students think that policy is easier than it is. They come out of the course thinking that policy is an easy task if only people listened to economists and understood economic theory.

The recognition that there are failures of market outcomes is not novel with me. Good economists of all political persuasions recognize that the policy choices they make involve broader issues than are allowed within our current market failure framework. But the current principles textbook standard encourages professors to avoid the issues. The standard textbooks accomplish this by selectively choosing examples, and focusing policy discussions on issues that are consistent with the conventional moral view, which means that the moral issues don't come up in the discussion.

In Colander (2003) I discuss these issues and give three examples of issues that can be discussed in this broader framework that cannot be discussed in the narrower market failure framework. Let me consider one of these: how morals interplay with efficiency. An example would be a consideration of whether society should limit individuals selling babies if there is a willing supplier and a willing demander. All the standard arguments for non-intervention hold.

[9] Actual intervention requires taking government failure into account as well.

Some people have a comparative advantage in producing babies, so to achieve efficiency, individuals should be allowed to specialize and trade, making those who want babies, but have a high cost of producing babies, better off and those who can produce babies cheaper than the going price better off. You have a willing buyer, a willing seller, and a clear case of comparative advantage. Selling babies is efficient—in the normal way we interpret efficiency. Yet, most people, including most economists, would oppose such "efficient" solutions. The current standard presentation does not make it clear to students how one arrives at that opposition.

It is not only far-fetched ideas where the issue of morals may enter into policy discussions. It is also in more mundane issues. For example: whether it is appropriate to recycle. In discussing this issue the standard text argues that efficiency should rule. It suggests to students that to not accept the "efficient" solution is to impose their own normative view on the issue, whereas the economic solution avoids making any moral judgment, and hence avoids imposing its normative views.

But avoiding moral judgments is impossible. All policy discussions must begin with Hume's Dictum—that a "should" only follows from another should. To come to policy implications of theory one must specify one's goal. Efficiency is not desirable for its own sake, but instead involves achieving an outside-specified goal as cheaply as possible. Only after we have specified what the goals are can we talk about efficiency in achieving them.

Another issue that I think needs more careful discussion than the standard text provides is the subtlest type of failure of market outcome with which economics must deal. That issue is that consumer surplus measures are based on the existing distribution of income. Let me discuss one example of how the problem manifests itself. In the standard textbook presentation there would be little consumer surplus to be gained from supplying AIDs drug cocktails to Africans since there is little demand for the drug as measured by consumer surplus. (If you don't have income you can't have a demand for the good). It follows that the "efficient" solution to the AIDS problem in poor African countries is that the poor should die since in our current textbook supply/demand market failure framework it would be "inefficient" to supply the medicine to them. The standard textbooks don't make the argument in favor of such an "efficient solution" in medicinal drugs because they know that the result would be unacceptable to most students and teachers. But in not making it, they miss the opportunity to show students the more general limitations of a policy that focuses on efficiency and on policies designed to maximize consumer surplus.

As I stated above, none of these issues I raise here are deep insights of mine; they are well known and many professors present them in their classes in various ways. My point is that the standard text presentation does not raise these issues, and I believe that it should. So I am willing to spend some of my 15% flexibility on pushing for the change. I am hoping that other books will follow my lead and that the standard will change. But I have learned. I present my alternative failure of market outcome approach in three pages in a chapter that can be skipped, so as not to violate the 15% rule. It's there for those who want to teach it, but it's unobtrusive enough to be avoided by those who do not. The reviews on it to date are mixed--some rave about it, others can tolerate it. Future reviews will determine whether it stays. In the review that matter most to publishers, sales, I am happy to say that my book's are up from the previous edition, and

if they remain up, I expect that other texts will look at this presentation and consider adopting it as an alternative standard.

Conclusion

The process I am describing is not unique to me. I suspect that all textbook authors recognize the nature of the process and choose different places to spend the 15% flexibility. Sometimes they are successful; sometimes they’re not, and over time the texts evolve.

So what does all this mean for the user of a text? It means that a text is not a direct expression of what the author believes, but instead a combination of a much more complicated set of considerations in which inertia and process, not intellectual or even pedagogical validity, play the central roles. Perhaps it can be no other way, but users of the books should be aware that that’s what principles of economics textbooks are, and should structure their teaching accordingly, adding context to the discussion whenever possible. In reading textbooks, the parallel to *caveat emptor* is *caveat lector.*

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