

Economics One

A blog by John B. Taylor

Market Failure and Government Failure in Leading Economics Texts

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A new review of 23 leading Principles of Economics texts reveals huge differences in the coverage of government failure versus market failure.

Jim Gwartney, who is the author of a leading text with a strong emphasis on public choice, along with his colleague Rosemarie Fike, conducted the review and posted the results [here](#).

Jim and Rosemarie went through each of the 23 introductory texts looking for and tabulating references to various types of market failure and government failure. As they explain in the paper they also categorized the explanations of market failure (say due to externalities, public goods, market power,...) and government failure (say due to special interests, short-sightedness, rent-seeking,...). Different people can have different views about the criteria and about models of public choice and government developed by James Buchanan, George Stigler, and others. But the paper endeavors to describe the methodology carefully, and I recommend reading it to get an understanding of the results.

The following is Table 3 of the paper. It shows the ratio of page coverage on government failure to page coverage on market failure in each text. Other metrics reported in the paper give similar results.

Table 3: Page Coverage of Market Failure and Government Failure in Principles of Economics Textbooks

| | Market Failure | | | | | Government Failure | | | | | | |
|------------------------|----------------------|------------------------|--|----------------------------------|--------------------|--------------------------------------|-----------------------------------|------------------------|-------------------------------------|---|---------------------|------------------------|
| | (1) Externalities | (2) Public Goods | (3) Monopoly/ Imperfect Competitio n | (4) Asymmetric Information | (5) Total MF | (6) Special Interest Effect | (7) Shortsightedness Effect | (8) Rent Seeking | (9) Bureaucratic Inefficiency | (10) Rational Ignorance Effect | (11) Total GF | (12) Ratio GF/MF |
| Arnold | 11 | 9 | 16 | 9 | 44 | 5 | 0 | 8 | 0 | 5 | 15 | 0.34 |
| Baumol and Blinder | 30 | 6 | 11 | 1 | 47 | 0 | 0 | 2 | 0 | 0 | 2 | 0.04 |
| Case et al. | 15 | 9 | 17 | 6 | 45 | 3 | 0 | 4 | 2 | 1 | 6 | 0.13 |
| Chiang | 6 | 6 | 8 | 1 | 20 | 0 | 1 | 2 | 0 | 0 | 3 | 0.15 |
| Colander | 11 | 5 | 16 | 5 | 34 | 1 | 0 | 4 | 0 | 0 | 4 | 0.12 |
| Cowen and Tabarrok | 14 | 4 | 15 | 0 | 33 | 8 | 3 | 2 | 2 | 5 | 13 | 0.39 |
| Frank and Bernanke | 17 | 11 | 9 | 10 | 47 | 1 | 0 | 3 | 1 | 1 | 5 | 0.11 |
| Gottheil | 11 | 8 | 4 | 2 | 22 | 1 | 0 | 0 | 0 | 0 | 1 | 0.05 |
| Gwartney et al. | 5 | 6 | 7 | 2 | 18 | 8 | 7 | 7 | 1 | 2 | 22 | 1.22 |
| Hall and Lieberman | 10 | 5 | 18 | 4 | 36 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Hubbard and O'Brien | 17 | 8 | 5 | 5 | 33 | 2 | 0 | 2 | 0 | 1 | 3 | 0.09 |
| Krugman and Wells | 9 | 6 | 10 | 4 | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Mankiw | 20 | 12 | 18 | 6 | 56 | 0 | 0 | 0 | 1 | 0 | 1 | 0.02 |
| McConnell et al. | 10 | 21 | 9 | 4 | 32 | 9 | 1 | 4 | 2 | 0 | 11 | 0.34 |
| McEachern | 19 | 6 | 12 | 7 | 44 | 9 | 1 | 4 | 4 | 5 | 18 | 0.41 |
| Miller | 11 | 2 | 5 | 5 | 23 | 2 | 0 | 2 | 2 | 0 | 6 | 0.26 |
| O'Sullivan et al. | 23 | 9 | 7 | 20 | 54 | 1 | 0 | 2 | 0 | 0 | 3 | 0.06 |
| Parkin | 29 | 21 | 5 | 6 | 51 | 1 | 0 | 2 | 3 | 1 | 6 | 0.12 |
| Samuelson and Nordhaus | 15 | 11 | 9 | 4 | 29 | 3 | 1 | 1 | 0 | 0 | 4 | 0.14 |
| Schiller et al. | 8 | 6 | 19 | 1 | 29 | 0 | 0 | 2 | 0 | 0 | 2 | 0.07 |
| Slavin | 3 | 3 | 10 | 0 | 16 | 3 | 0 | 0 | 0 | 0 | 3 | 0.19 |
| Taylor and Weerapana | 15 | 5 | 6 | 2 | 27 | 4 | 1 | 2 | 2 | 0 | 6 | 0.22 |
| Tucker | 16 | 5 | 11 | 0 | 31 | 1 | 2 | 0 | 1 | 2 | 3 | 0.10 |
| Mean Coverage | 14.13 | 8.00 | 10.74 | 4.52 | 34.70 | 2.70 | 0.74 | 2.30 | 0.91 | 1.00 | 5.96 | 0.17 |

From James Gwartney and Rosemarie Fike (2014)

"Public Choice versus the Benevolent Omniscient Planner Model of Government:
Evidence from Principles Textbooks," Florida State University

The Paul Krugman-Robin Wells book is tied with the lowest ratio (0.00) along with the Robert Hall- Marc Lieberman book. With more references to government failure, Gwartney, Cowen-Tabarrok, Arnold, and McEachern have much higher ratios. It is interesting that the ratios in Baumol-Blinder and Mankiw are quite low, especially in comparison the Samuelson-Nordhaus ratio which is just a bit below the average. The ratio in my book with Akila Weerepana is a bit above the average.

Reviews like this can affect future texts and revisions as authors and users become more aware of the overall coverage in comparison with the market. My guess is that future reviews will show an increase in the average ratio and some small reduction in the variance which preserves the overall diversity.

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